TELETECH HOLDINGS INC
Form 10-K/A
March 01, 2005

Table of Contents

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

Amendment No. 1
To
Form 10-K

(MARK ONE)

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

For the fiscal year ended December 31, 2003
OR

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

Commission File Number: 0-21055

TeleTech Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**84-1291044**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

Securities registered pursuant to Section 12(b) of the Act: **None**
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 par value per share
(Title of Class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

As of June 30, 2003, the last business day of the registrant s most recently completed second fiscal quarter, there were 74,193,804 shares of the registrant s common stock outstanding. The aggregate market value of the registrant s voting and non-voting common stock that was held by non-affiliates on such date was $285,646,145 based on the closing sale price of the registrant s common stock on such date as reported on the Nasdaq Stock Market.

As of March 2, 2004, there were 75,287,300 shares of the registrant s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of TeleTech Holdings, Inc. s definitive proxy statement for its annual meeting of stockholders to be held on May 20, 2004, are incorporated by reference into Part III of this Form 10-K, as indicated.

TABLE OF CONTENTS

Table of Contents

Explanatory Note

This annual report on Form 10-K/A is being filed for the purpose of amending our consolidated financial statements to record accounting adjustments related to prior periods.

The restatement is primarily a result of accounting adjustments that pertain to prior periods, the majority of which were disclosed in Item 9A in the original filing of our Annual Report on Form 10-K. At the same time, we recorded the additional adjustments that we had identified at that time but did not record as they were not material; the net effect of those additional adjustments was to decrease net loss for 2003 by approximately $500,000. In addition, subsequent to filing the 2003 Form 10-K, we identified a contract acquisition cost and related liability that became our right and obligation during 2002; we recorded the contract acquisition cost and related liability, as well as recorded the related amortization of the asset and reduction of the liability from inception of the obligation forward, decreasing net loss for 2003 by approximately $729,000 and increasing net loss for 2002 by approximately $401,000. In addition, we identified that we were not properly accounting for scheduled rent escalations at most of our locations. The impact of this was to record additional rent expense of $221,000, $754,000 and $834,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

The impact of the restatement on net loss for the year ended December 31, 2003 was a decrease in net loss of $10.7 million. The impact of the restatement on net loss for the years ended December 31, 2002 and 2001 was an increase in net loss of $3.1 million and $3.8 million, respectively. Additionally, we adjusted downward the beginning balance of retained earnings by $6.8 million for 2001 to reflect the impact of adjustments related to prior periods.

This Form 10-K/A amends and restates Items 1, 6, 7, 8, 9A of Part II and Item 15 of Part IV contained in our Annual Report on Form 10-K originally filed with the Securities and Exchange Commission (SEC) on March 8, 2004, as required to reflect the restatement, and includes currently dated certifications pursuant to the rules of the SEC. The foregoing items have not been updated to reflect other events occurring after the filing of the original Form 10-K, or to modify those disclosures affected by subsequent events, except for those disclosures provided in Notes 16 and 17 to the consolidated financial statements included in Item 8 of this Form 10-K/A. All other information contained herein was included in the original Form 10-K, which was filed with the SEC on March 8, 2004, speaks only as of such date and has not been amended or updated hereby. All referenced amounts in this Form 10-K/A for prior periods and prior period comparisons reflect the balances and amounts on a restated basis.

All information contained in this Form 10-K/A is subject to updating and supplementing as provided in our reports filed with the SEC subsequent to the date of the original filing of the Annual Report on Form 10-K. As a result, we recommend that this Form 10-K/A be read in conjunction with all other periodic and current reports of ours filed under the Securities Exchange Act of 1934, as amended (the Exchange Act), after the filing of the original Form 10-K, including without limitation the information described in Notes 16 and 17 to the consolidated financial statements included in Item 8 of this Form 10-K/A and the information contained in our Quarterly Reports on Form 10-Q/A for the quarters ended March 31, 2004, June 30, 2004 and September 31, 2004, each as filed on the date hereof.

Additionally, our financial statements for 2001 and prior years were audited by Arthur Andersen, LLP (Andersen). As part of the restatement of previously issued financial statements, we recorded adjustments to the 2001 consolidated financial statements. Representatives of Andersen are not available to provide an audit opinion regarding our adjustments to the 2001 consolidated financial statements or the 2001 consolidated financial statements themselves. As such, our consolidated financial statements for the year ended December 31, 2001 contained in this Form 10-K/A are now unaudited.

Table of Contents

PART I

This Form 10-K/A contains certain forward-looking statements within the meaning or the Private Securities Litigation Reform Act of 1995. These forward-looking statements were made at the time the original Form 10-K was filed on March 8, 2004, speak only as of such date, are subject to the factors set forth beginning on page 8 of this Form 10-K/A and must be considered in light of any subsequent statement, including any forward-looking statement contained in any written statement subsequent to the original filing date. The statements contained in these forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company s actual results, performance or achievements to be materially different from any future results, performance or achievements express or implied by the forward-looking statements.

Item 1. *Business*.

Overview

TeleTech Holdings, Inc., a Delaware corporation (together with its wholly owned and majority owned subsidiaries, TeleTech or the Company, which may also be referred to as we, us or our) serves its clients through two primary businesses: (i) Customer Management Services, which provides outsourced customer support and marketing services for a variety of industries via call centers (customer management centers , or CMCs) throughout the world (Customer Care); and (ii) Database Marketing and Consulting, which provides outsourced database management, direct marketing and related customer retention services for automotive dealerships and manufacturers in North America.

TeleTech was organized as a Delaware corporation on December 22, 1994 to continue the operations of its predecessors, which were founded as early as 1982. The Company completed its initial public offering in 1996 with 9 CMCs in 4 countries, and has grown to 64 locations in 16 countries as of December 31, 2003.

Five-Year History

From 1998 to 2000 TeleTech demonstrated growth in revenue and profitability, driven primarily by an increase in both new and existing large, global client contracts. Despite continued revenue growth from 2000 to 2002, our profitability declined and we incurred losses in 2001, 2002 and 2003 due to a combination of factors that are outlined below. Our senior management team is currently engaged in taking proactive measures intended to return the company to profitability.

Over the past three years, the following have negatively impacted our profitability:

- A longer sales cycle as a result of the global economic downturn;
- Excess capacity in our multi-client CMCs due to the ramp down or termination of certain client contracts;
- Less favorable pricing and contract terms driven by clients as the customer management industry has matured;
- Losses from our international operations resulting from an unsuccessful acquisition in Spain in 2000, excess capacity in the United Kingdom, and excess capacity as well as certain unprofitable client programs in Latin America;

Lower profitability from a large North America client program until we successfully transitioned the work to lower cost locations;

Charges related to the closures of certain CMCs, workforce reductions and asset impairments; and

The incurrence of development costs to create new value added services and solutions for clients.

As a result of the above, we were not in compliance with certain financial covenants in our Credit Agreement dated October 29, 2002, as amended (Revolver), and Note Purchase Agreement, dated October 30, 2001, as amended (Senior Notes) during 2002 and 2003. During 2003, we worked with our lenders to successfully amend both agreements bringing the Company back into compliance. The amendments required that we secure the agreements with a majority of the Company s domestic assets. The last amendment was completed in August 2003 and resulted in an increase of interest expense of approximately $2.0 million per year.

Business Turnaround

Our senior management team has taken, or is taking, the following actions to return the company to profitability. These actions have included:

Closing CMCs where we were not meeting our desired level of profitability due to high labor costs;

Conducting operational reviews of all client programs that did not meet our desired level of profitability and creating an action plan, including in some instances terminating the program or adjusting the price, for each such account;

Terminating client contracts that we determined could not reasonably be returned to our desired level of profitability;

Transitioning client programs to lower cost locations to improve profitability;

Reducing our global operating costs, including general and administrative expenses;

Reducing the size of our global workforce;

Appointing new management teams in our North America, Europe, Asia Pacific and Latin America operations;

Implementing a plan to improve workforce utilization, operational efficiencies and drive other cost containment measures;

Expanding our lower cost, English speaking services in Argentina, Belfast, Canada, Mexico, India and the Philippines; and

Establishing a solutions team to focus on the development of new products and services intended to differentiate our offering and deliver higher profit margins than our traditional services.

Segments

We classify our business activities into three segments: North American Customer Care, International Customer Care and Database Marketing and Consulting. These segments are consistent with our management of the Company and reflect our internal financial reporting structure and operating focus. North American Customer Care consists of customer management services provided to United States and Canadian clients while International Customer Care consists of clients in all other countries. Our North American Customer Care business segment accounted for approximately 63.5%, 69.7% and 66.5% of total 2003, 2002 and 2001 revenue, respectively. Our International Customer Care business segment accounted for approximately 25.6%, 20.9% and 25.7% of total 2003, 2002 and 2001 revenue, respectively. All intercompany transactions between the reported segments for the periods presented have been eliminated.

As discussed further in Management s Discussion and Analysis of Financial Condition and Results of Operations, it is a significant Company strategy to garner additional business through the lower cost opportunities offered by certain international countries. Accordingly, the Company provides services to certain U.S. clients from CMCs in Canada, India, Argentina, Mexico and the Philippines. Under this arrangement, while the U.S. subsidiary invoices and collects from the end client, the U.S. subsidiary also enters into a contract with the foreign subsidiary to reimburse the foreign subsidiary for their costs plus a reasonable profit. As a result, a portion of the profits from these client contracts is recorded in the U.S. while a portion is recorded in the foreign location. For U.S. clients being fulfilled from Canadian locations and the Philippines, which represents the majority of these arrangements, the profits all remain within the North American Customer Care segment. For U.S. clients being fulfilled from other countries, a portion of the profits are reflected in the International Customer Care segment. There are also situations where certain foreign subsidiaries will contract with other foreign subsidiaries to fulfill client contracts. In these situations, while the profits are partially recorded in each country, on a segment basis they are all reflected in the International Customer Care segment.

Database Marketing and Consulting provides outsourced database management, direct marketing and related customer retention services for automobile dealerships and manufacturers in North America. Our database marketing and consulting segment accounted for approximately 10.9%, 9.4% and 7.8% of total 2003, 2002 and 2001 revenue, respectively.

In January 2003, the Company adopted the practice of allocating corporate operating expenses to segments based upon each segment s respective pro rata percentage of consolidated revenue. Prior to January 1, 2003, corporate operating expenses were shown as a separate segment. Segment information as of December 31, 2002 and 2001 has been restated to reflect this change.

Our Internet address is www.teletech.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to these reports, are available free of charge on our Internet website under the heading

Investors / Annual Reports and Investors / SEC Filings. We will provide electronic or paper copies of our SEC filin
free of charge upon request.

Customer Management Services (North American and International Customer Care)

Our Customer Management Services business manages telephone, e-mail, automated/interactive voice response and web-based customer interactions on behalf of our clients via CMCs throughout the world and represents approximately 89% of our total revenue. Approximately 95% of our Customer Management Services revenue comes from inbound customer interactions and 5% from outbound interactions. Accordingly, restrictions under the Do Not Call legislation do not have a material impact on our business.

Our Customer Management Services business includes:

Customer Acquisition Services: We provide new account services including processing and fulfilling pre-sale information requests, verifying sales, activating services and directing customers to product or service sources, as well as initial post-sale support including operating instructions for the use of new products or services.

Customer Provisioning Services: We manage front- and back-office processes from order to installation, including turning on service or trouble shooting installation.

Customer Support Services: We manage customer support interactions, from complex transactions such as insurance claims processing, technical and help-desk support to more basic services such as billing support, account maintenance and complaint resolution.

Customer Development Services: We provide sales information to help our clients identify high-value customers and seek to increase clients sales through up-selling and cross-selling clients products or services.

Customer Retention Programs: We work in conjunction with clients to develop targeted customer satisfaction and loyalty programs to help manage customer attrition or turnover.

Other Customer-Related Programs: Our customer management services also include aiding in collections, collecting market research from customers and performing outbound-call campaigns.

Many clients require a combination of the above services, which hereafter is referred to as customer management solutions. Additionally, we endeavor to develop on our own or with other companies, new products or services designed to meet particular client needs, which hereafter are referred to as solutions.

Our services are designed to manage customer relationships across multiple products and services, as well as countries, languages and communication channels. For many businesses managing customer relationships is not a core competency, so we offer an alternative that enables companies to leverage our customer management experience, infrastructure, technology and resources. Each solution is designed to increase customer satisfaction by delivery of customer support in a manner pleasing to customers. Our services encompass the following Company capabilities:

Infrastructure deployment, including the securing, designing and building of data centers and CMCs;

Recruitment, education and management of client-dedicated customer service representatives (CSRs);

Formulating and engineering operational process controls and quality control systems;

- Technology consulting and implementation, including the integration of hardware, software, network and computer-telephony technology; and

- Database management, which involves the accumulation, management and analysis of customer information to aid in the development of marketing strategies.

We provide services from turnkey CMCs leased, equipped and staffed by TeleTech (referred to as Fully Outsourced Programs) and CMCs owned or leased and equipped by our clients and staffed by TeleTech (referred to as Facilities Management Programs).

Table of Contents

Our Fully Outsourced CMCs are utilized to serve either multiple clients (Multi-client Centers) or one dedicated client (referred to as Dedicated Centers). As noted above, we also provide Facilities Management services (Managed Centers) whereby the client owns or leases the CMC and equipment and we provide the staff and processes to operate the center. As of December 31, 2003, we had 24,201 workstations in 63 CMCs, of which 16 were Dedicated Centers, 31 were Multi-client Centers, and 16 were Managed Centers representing 6,660, 12,575 and 4,966 seats of capacity, respectively.

Markets and Clients Customer Management Services

We primarily focus on large global corporations in the following industries: Automotive, Communications and Media, Financial Services, Government, Healthcare, Logistics, Retail, Technology and Travel. Communications and Media comprises approximately 50% of our total revenue, representing the largest portion of our client programs.

Percepta, our 55% owned joint venture with Ford Motor Company (Ford), provides customer management services to Ford customers and Ford internal locations.

We had two clients who represented more than 10% of 2003 total revenue: Verizon Communications (Verizon) and Nextel Communications, Inc., which accounted for 17.2% and 14.2% of total revenue, respectively. As discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations under Client Concentrations , Verizon revenue is expected to decline in 2004.

Certain of our telecommunication customers, which represent approximately one-third of our annual revenue, also provide us telecommunication services. We believe each of these supplier contracts is negotiated at arms-length and may be negotiated at different times and with different legal entities. Expenditures under these supplier contracts represent less than one-percent of total costs.

Sales and Marketing Customer Management Services

We employ a team sales approach and seek to hire business development professionals with experience in our targeted industries.

We typically provide customer management services pursuant to written contracts with terms ranging from one to eight years and our contracts often contain renewal or extension options. Under virtually all of our significant contracts, we generate revenue based on the amount of time CSRs devote to a client s program. In addition, clients are typically required to pay fees relating to the implementation of the program including initial education and training of representatives, setup of the program, and development and integration of computer software and technology. Clients also may be required to pay fees relating to the management of the program and the recruiting, hiring and training of new CSRs to backfill vacant positions. Such fees may be billed as a separate charge upfront, or may be bundled into the production rate over the life of the contract.

Contracts may, depending upon our assessment of the associated risks and opportunities, include provisions such as: (i) performance-based pricing provisions, whereby the client may pay more or we may have to issue a credit, depending upon our ability to meet agreed upon performance metrics and (ii) a requirement for our clients to pay a fee in the event of early termination.

Most contracts have price adjustment terms allowing for cost of living adjustments and/or market changes in agent labor costs. Additionally, our client contracts generally contain provisions that designate the manner by which we receive payment for our services and allow us or the client to terminate the contract upon the occurrence of certain events.

5

Table of Contents

Operations Customer Management Services

We provide customer management services through the operation of 63 CMCs located in the U.S., Argentina, Australia, Brazil, Canada, China, India, Korea, Malaysia, Mexico, New Zealand, Northern Ireland, the Philippines, Scotland, Singapore, and Spain.

We apply predetermined site selection criteria to identify locations conducive to operating large-scale customer management facilities in a cost-effective manner. We pursue local government incentives such as tax abatements, cash grants, low-interest loans, training grants and low cost utilities. Following site evaluations and cost analyses, as well as client considerations, a specific site is located and a lease is negotiated and finalized.

Once we take occupancy of a site, we use a standardized development process designed to minimize the time it takes to open a new CMC and control costs. The site is retrofitted to requirements that incorporate engineering, cost control and scheduling concepts while placing emphasis on the quality of the work environment. Upon completion, we integrate the new CMC into our corporate facility and asset management programs. Generally, we can establish a new, fully operational inbound CMC containing 450 or more workstations within 120 days after a lease is finalized and signed.

At least twice per year, we assess the expected long-term capacity utilization of our centers. Accordingly, we may, if deemed necessary, consolidate or shut down under-performing centers, including those impacted by a major loss of a client program, in order to maintain or improve targeted utilization and margins.

Quality Assurance Customer Management Services

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

Technology Customer Management Services

Our technology platforms are designed to maximize the utilization of CMCs and increase the efficiency of CSRs. We use interaction routing technology designed to expedite response times, and workforce management systems designed to establish CSR staffing levels that most efficiently meet call volume demands. In addition, our technology platform allows for tracking of each customer interaction, filing the information within a relational database and generating reports on demand so that both our clients and our internal operations teams can analyze the performance of the client program and gain information regarding customer behaviors.

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

Human Resources Customer Management Services

Our ability to successfully provide customer management services is largely dependent upon our success in recruiting, hiring and training large numbers of employees within the costs we estimated when pricing our client s proposed business. We primarily offer full-time positions with competitive salaries and wages and a full range of employee benefits.

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

Competition Customer Management Services

We believe that we compete primarily with the in-house customer management operations of our current and potential clients.

Table of Contents

We also compete with certain companies that provide customer management services on an outsourced basis, including Accenture, Convergys Corporation, EDS, IBM, SITEL Corporation and Sykes Enterprises Incorporated, among others. In certain instances, we also work with some of these companies on a sub-contract basis. We compete primarily on the basis of experience, scale, quality and scope of services, speed and flexibility of implementation, technological expertise, price and contractual terms. A number of competitors may have greater capabilities and resources than ours. Similarly, there can be no assurance that additional competitors with greater resources than ours will not enter our market.

International Operations Customer Management Services

Our International Operations consist of customer management services provided to clients located in facilities outside of the U.S. and Canada, including Europe, Latin America and Asia Pacific. Our businesses in these three regions are operated and managed as described above; however, there are some minor differences. Outbound programs represent a higher percentage of our client programs internationally than in North America. In one international location the employees are subject to collective bargaining agreements under national labor laws. Additionally, competition in our international locations includes smaller, local providers of customer management services in addition to the global providers listed above.

Database Marketing and Consulting

We operate our Database Marketing and Consulting segment through our wholly owned subsidiary Newgen Results Corporation, which represents 11% of our total revenue. We provide outsourced database management, direct marketing and related customer retention services for automotive dealerships service departments and automobile manufacturers primarily in North America.

Our Database Marketing and Consulting services primarily consist of direct marketing campaigns involving direct mailing and outbound teleservice follow-up to promote automobile service business from a dealership s own customer base.

Markets and Clients Database Marketing and Consulting

Our Database Marketing and Consulting services are provided to automotive dealers and manufacturers in the U.S. and Canada. We have contracts with over 7,000 automobile dealers representing 12 different brand names. Additionally, we provide services directly to automobile manufacturers primarily related to national sales and service promotions.

Sales and Marketing Database Marketing and Consulting

In this segment we employ sales professionals located in major markets throughout the U.S. and Canada.

Operations Database Marketing and Consulting

We believe we have developed expertise in the operational aspects of database management, direct marketing and teleservice. Our core competencies include: developing and installing databases with dealership-specific information; downloading dealership data through our automated computer system; compiling related data; maintaining automobile maintenance schedules; and providing systems for direct mail- and teleservice-based customer solicitation.

Quality Assurance Database Marketing and Consulting

We are ISO 9000:2000 certified and we undergo semi-annual surveillance audits to maintain this certification. We monitor and measure the ongoing quality and accuracy of our processes and systems associated with our products through operational metrics. These metrics are routinely evaluated against the current business environment to ensure that the customers needs and expectations are taken into consideration.

Technology Database Marketing and Consulting

We have invested significant resources in designing and developing proprietary industry-specific software applications and tools and as a result, maintain a library of reusable software code for use in future developments. We continue to invest resources into the development and implementation of emerging automotive customer services.

Human Resources Database Marketing and Consulting

We aim to recruit and hire management with experience in automotive manufacturers or dealerships to enable us to provide our clients with a deep understanding of dealership operations and processes. Our employees receive training before managing customer interactions and for many client programs, receive ongoing training on a regular basis.

Competition Database Marketing and Consulting

We operate in a highly competitive business environment. We compete with a variety of companies, including large national or multinational companies and smaller regional or local companies. Our two significant national competitors are Reynolds & Reynolds, Co., and Moore Corporation Limited. Smaller competitors include Autobytel, On-line Administrators, and eLeads. In addition, R.L. Polk has offered services that are similar to ours on a limited basis. As the trend toward dealership consolidation continues, dealerships will also be able to create internal economies of scale, and could choose to satisfy their database management and direct marketing needs internally. Our ability to compete effectively will depend on a number of factors including our knowledge of dealership service department operations, the perceived value of the services we offer, the state of our relationships with automobile manufacturers, the quality and breadth of our service, our ability to identify, develop and offer innovative services, our ability to overcome difficulties associated with replacing incumbent service providers and pricing and reputation among dealerships.

Joint Ventures

During the first quarter of 2000, we formed a joint venture with Ford, Percepta, to provide global customer management solutions for Ford and other automotive companies. Percepta is currently providing such services in the United States, Canada, Australia and Scotland. We own 55% and Ford owns 45%, and each joint venture partner shares in the profits, dividends and any distributions of assets in accordance with its ownership percentage.

In connection with this formation, we issued stock purchase warrants to Ford entitling Ford to purchase 750,000 shares of TeleTech common stock for $12.47 per share. These warrants were valued at $5.1 million using the Black Scholes Option model. The warrants expire on December 31, 2005.

In April 2003, we announced a joint venture agreement with Bharti Enterprises Limited (Bharti) to provide in-country and offshore customer management solutions in India. Under terms of the agreement, TeleTech and Bharti participate in a joint venture known as TeleTech Services India Private Limited (TeleTech India). Initially, TeleTech and Bharti each had a 50% ownership interest in TeleTech India with TeleTech having the ability to acquire up to 80% of the venture. In February 2004, we acquired an additional 10% interest in TeleTech India, bringing our total ownership interest to 60%.

Employees

As of December 31, 2003, we had over 33,000 employees in 16 countries and approximately 87% of these employees held full-time positions. Our industry is very labor-intensive and traditionally experiences significant personnel turnover. In one international location the employees are subject to collective bargaining agreements mandated under national labor laws.

Seasonality

Historically we have experienced a seasonal impact in the fourth quarter primarily related to higher volumes from a few clients in the package delivery business and other seasonal industries.

Working Capital

Information about our liquidity is contained in Management s Discussion and Analysis of Financial Condition and Results of Operations under Liquidity and Capital Resources .

Risk Factors

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

Table of Contents

Forward-looking information may prove to be inaccurate. Some of the information presented in this Annual Report on Form 10-K/A constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements that include terms such as may, will, intend, anticipate, estimate, expect, continue, believe, plan, or the like, as well as are not historical facts. Forward-looking statements are inherently subject to risks and uncertainties that could cause actual results to differ materially from current expectations. Although we believe our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that actual results will not differ materially from expectations. Factors that could cause actual results to differ from expectations or have a material adverse effect upon our business include:

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

Dependence on the Success of Our Clients Products and Services. In substantially all of our client programs, we generate revenue based, in large part, on the amount of time that our personnel devote to a client s customers. Consequently, and due to the inbound nature of our business, the amount of revenue generated from any particular client program is dependent upon consumers interest in, and use of, the client s products and/or services. There can be no assurance as to the number of consumers who will use the products and services of our clients, and who will therefore need our services, or that our clients will develop new products or services that will continue to require our services.

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

Risks Associated with Changes in Outsourcing and Telecommunications Regulations. Changes in U.S. federal and state outsourcing requirements, restrictions and disclosures could affect the sales of our services. In particular, we believe there may be future changes in U.S. outsourcing requirements and disclosures that could slow the expansion of our overseas operations and materially adversely affect our business, operating results, and financial condition. Additionally, in the U.S., some of our services must comply with various federal and state requirements and regulations regarding the method and practices of placing outbound telephone calls. Changes in these regulations could slow the growth of these services and impose additional costs to our operations.

Risks Associated with Our Contracts. Most of our contracts do not ensure that we will generate a minimum level of revenue, and the profitability of each client program may fluctuate, sometimes significantly, throughout the various stages of such program. Although we seek to sign multi-year contracts with our clients, our contracts generally enable the clients to terminate the contract, or terminate or reduce customer interaction volumes. Although our larger contracts generally require the client to pay a contractually agreed amount in the event of early termination, there can be no assurance that we will be able to collect such amount. We are usually not designated as our client s exclusive service provider. Certain contracts have performance-related bonus and/or penalty provisions, whereby the client may pay a bonus or we may have to issue a credit, depending upon our ability to meet agreed upon performance metrics. We cannot be certain that we will achieve bonuses or avoid penalties.

Sales/Use Tax Liabilities. We may be subject to past and future sales or use tax liabilities. While it is common practice to pass through sales tax to clients, there is no assurance that we will be successful in doing so. Use taxes are generally borne by the Company and are considered a cost of doing business. If we determine that we have significant past or future obligations, it could have an adverse affect on future results of operations.

Risks Associated with Financing Activities. From time to time, we may need to obtain debt or equity financing for capital expenditures, for payment of existing obligations and to replenish cash reserves. There can be no assurance that we will be able to obtain such debt or equity financing, or that any such financing would be on terms acceptable to us. Additionally, our existing debt agreements require us to comply with certain financial covenants. There is no assurance that we will be able to meet these covenants or, in the event of noncompliance, will be able to obtain waivers or amendments from the lenders. We also have risks related to our make-whole

Table of Contents

commitment and our swap agreement described in Management s Discussion and Analysis of Financial Condition and Results of Operations under Liquidity and Capital Resources .

Risks Associated with International Operations and Expansion. We currently conduct business in Argentina, Australia, Brazil, Canada, China, India, Korea, Malaysia, Mexico, New Zealand, Northern Ireland, the Philippines, Scotland, Singapore, and Spain. One component of our growth strategy is continued international expansion. There can be no assurance that we will be able to (i) increase our market share in the international markets in which we currently conduct business or (ii) successfully market, sell and deliver our services in additional international markets. In addition, there are certain risks inherent in conducting international business, including exposure to currency fluctuations, longer payment cycles, attracting and retaining qualified labor in foreign locations, greater difficulties in accounts receivable collection, difficulties in complying with a variety of foreign laws, including foreign labor laws, unexpected changes in regulatory requirements, difficulties in managing capacity utilization and in staffing and managing foreign operations, political instability and potentially adverse tax consequences. Any one or more of these factors could have a material adverse effect on our international operations and, consequently, on our business, results of operations or financial condition.

Risks Associated with Finding New Locations. Our future success will be greatly dependent upon being able to find cost effective locations in which to operate both domestically and internationally. There is no assurance that we will be able to find cost effective locations, obtain favorable lease terms and build or retrofit facilities in a timely or economic manner.

Risks Associated with Cost and Price Increases. Most of our larger contracts allow us to increase our service fees if and to the extent certain cost or price indices increase. The majority of our expenses are payroll or payroll related. Included in payroll related costs are healthcare costs. Over the past several years, healthcare costs have increased at a rate much greater than that of general cost or price indices. Increases in our service fees that are based upon increases in cost or price indices may not fully compensate us for increases in labor and other costs incurred in providing services.

Difficulties of Managing Capacity Utilization. Our profitability is influenced significantly by our CMC capacity utilization. We attempt to maximize utilization; however, because the majority of our business is inbound, we have significantly higher utilization during peak (weekday) periods than during off-peak (night and weekend) periods. We have experienced periods of idle capacity, particularly in our multi-client CMCs. In addition, we have experienced, and in the future may experience, at least in the short-term, idle peak period capacity when we open a new CMC or terminate or complete a large client program. At least twice per year we assess the expected long-term capacity utilization of our centers. Accordingly, we may, if deemed necessary, consolidate or close under-performing centers in order to maintain or improve targeted utilization and margins. There can be no assurance that we will be able to achieve or maintain optimal CMC capacity utilization. During 2003, we closed our CMC in Kansas City, Kansas due to a loss of a client program. If we have to close CMCs in the future, we will record restructuring or impairment charges, which will adversely affect results of operations.

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

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

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

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

Dependence on Labor Force. Our success is largely dependent on our ability to recruit, hire, train and retain qualified employees. Our industry is very labor-intensive and has experienced high personnel turnover. A significant increase in the employee turnover rate could increase recruiting and training costs and decrease operating effectiveness and productivity. Also, if we obtain several significant new clients or implement several new, large-scale programs, we may need to recruit, hire and train qualified personnel at an accelerated rate. We may not be able to continue to hire, train and retain sufficient qualified personnel to adequately staff new customer management programs. Because a significant portion of our operating costs relate to labor costs, an increase in wages, costs of employee benefits or employment taxes could have a material adverse effect on our business, results of operations or financial condition. In addition, certain of our CMCs are located in geographic areas with relatively low unemployment rates, which could make it more difficult and costly to hire qualified personnel.

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

Risk of Business Interruption. Our operations are dependent upon our ability to protect our locations computer and telecommunications equipment and software systems against damage or interruption from fire, power loss, cyber attacks, telecommunications interruption or failure, natural disaster and other similar events. In the event we experience a temporary or permanent interruption at one or more of our locations, through casualty, operating malfunction or otherwise, our business could be materially adversely affected and we may be required to pay contractual damages to some clients or allow some clients to terminate or renegotiate their contracts with us. We maintain property and business interruption insurance; however, such insurance may not adequately compensate us for any losses we may incur.

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

Foreign Currency Exchange Risk. We are exposed to the market risk associated with foreign currency exchange fluctuations. Although we have entered into forward financial instruments to manage and reduce the impact of changes in certain foreign currency rates, there can be no assurance that such instruments will protect us from foreign currency fluctuations or that we have or will have instruments in place with respect to the most volatile currencies. We service several of our most significant U.S. clients from CMCs in Canada. Under the terms of these agreements, we receive payment in U.S. dollars but our costs are denominated in Canadian dollars. During 2003, the Canadian dollar strengthened 18.2% against the U.S. dollar. While our hedging strategy effectively offset a portion of these price increases during 2003, if the current exchange rates do not change, or if the Canadian dollar continues to strengthen, it could adversely impact the profits we earn on these contracts in the future.

Table of Contents

See Note 2 to the Consolidated Financial Statements for information on business segment reporting and geographic region disclosure.

Item 2. *Properties*.

Our corporate headquarters are located in Englewood, Colorado, in approximately 272,000 square feet of office space. In February 2003, we purchased our corporate headquarters building, including furniture and fixtures, for $38.2 million. As of December 31, 2003, we operated in 63 CMCs plus one facility for our Database Marketing and Consulting segment, designated as follows:

Dedicated Center we lease space for these centers and dedicate the entire facility to one client.

Multi-client Center we lease space for these centers and serve multiple clients in each facility.

Managed Center these facilities are leased or owned by our clients, and we manage these sites on behalf of our clients in accordance with facility management contracts.

Our Customer Management Services segments include CMCs in the following locations as of December 31, 2003:

Location	Number of CMCs
United States	18
International:	
Argentina	2
Australia	6
Brazil	3
Canada	8
China	1
India	1
Korea	1
Malaysia	1
Mexico	2
New Zealand	3
Northern Ireland	1
Philippines	1
Singapore	3
Scotland	2
Spain	10

In addition, our Database Marketing and Consulting segment leases space in San Diego, California.

We entered into a lease agreement in October 2003 for another facility in Manila, Philippines for use as a CMC. Occupancy began in the first quarter of 2004. In addition, our India joint venture entered into a lease agreement in February 2004 for a facility in Gurgaon, India for a CMC. Occupancy began in the first quarter of 2004. We also lease facilities in Irvine, California, Livonia, Michigan and Thornton, Colorado that are subleased to third parties. The lease in Topeka, Kansas terminates March 31, 2004 at which time we will exit the lease. The costs associated to exit and other restructuring costs are expected to be less than $0.3 million. We also lease four small administrative offices occupied by support staff.

The leases for our U.S. CMCs have terms ranging from three to 20 years and generally contain renewal options. We believe that our existing CMCs are suitable and adequate for our current operations. We target capacity utilization in our fully outsourced centers at 90%, up from a previous target of 85%, of our available workstations during peak (weekday) periods. However, there is no assurance we will be able to achieve this targeted utilization in the future. Our plans for 2004 include expanding existing or developing several new centers.

Item 3. ***Legal Proceedings.***

From time to time we may be involved in claims or lawsuits that arise in the ordinary course of business. Accruals for claims or

Table of Contents

lawsuits have been provided for to the extent that losses are deemed probable and estimable. Although the ultimate outcome of these claims or lawsuits cannot be ascertained, on the basis of present information and advice received from counsel, it is our opinion that the disposition or ultimate determination of such claims or lawsuits will not have a material adverse effect on the Company.

Item 4. ***Submission of Matters to a Vote of Security Holders*.**

No matters were submitted to a vote of the Company s stockholders during the fourth quarter of its fiscal year ended December 31, 2003.

Executive Officers of TeleTech Holdings, Inc.

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

Name	Position	Age	Date Position Assumed
Kenneth D. Tuchman[1]	Chairman and Chief Executive Officer	44	2001
James E. Barlett[2]	Vice Chairman	60	2001
James B. Kaufman[3]	President and GM, Commercial and Government	42	2002
Dennis J. Lacey[4]	Executive Vice President and Chief Financial Officer	50	2003
Sharon A. O Leary[5]	Senior Vice President, General Counsel and Secretary	45	2002
John R. Simon[6]	Senior Vice President, Human Resources	39	2001

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1 Mr. Tuchman founded TeleTech s predecessor company in 1982 and has served as the Chairman of the Board of Directors since TeleTech s formation in 1994. Mr. Tuchman served as the Company s President and Chief Executive Officer from the Company s inception until October 1999. In March 2001, Mr. Tuchman resumed the position of Chief Executive Officer. Mr. Tuchman is also a member of the State of Colorado Governor s Commission on Science and Technology and on the Board of Directors for the Center for Learning and Leadership.

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

3

Mr. Kaufman was named President and GM, Commercial and Government in September 2003 and in 2002 was named as Executive Vice President, Sales, Solutions and Marketing. Since 1999, he had served as the Company s Executive Vice President, General Counsel and Secretary. Before joining TeleTech in 1999, Mr. Kaufman served as Vice President Law at Orion Network Systems (renamed Loral Cyberstar following its acquisition by Loral Space & Communications in March 1998), a publicly traded international satellite-based communications company. Before joining Orion in 1994, Mr. Kaufman was engaged in private law practice, most recently with Proskauer Rose, a national law firm.

[4] Mr. Lacey joined TeleTech in May 2003 as Executive Vice President and Chief Financial Officer. Prior to joining TeleTech, Mr. Lacey was Executive Vice President and Chief Financial Officer of CKE Restaurants, Inc. Prior to joining CKE Restaurants, Inc., Mr. Lacey was Chief Financial Officer of Imperial Bancorporation. Prior to his employment at Imperial, Mr. Lacey served as President and Chief Executive Officer of Capital Assets, Inc. Before his position at Capital Associates, Mr. Lacey was an audit partner with Coopers and Lybrand. Mr. Lacey holds a bachelor of arts degree in accounting from the University of West Florida, Pensacola, FL.

[5] Ms. O Leary joined TeleTech in 2002 from LoneTree Capital, a venture capital firm, where she was Senior Vice President and General Counsel. Prior to LoneTree Capital, Ms. O Leary was Vice President-Law with MediaOne Group where she managed the general corporate, litigation, risk management, human resources and public relations advice areas of the law department. Ms. O Leary also managed the board of directors as assistant secretary. Prior to joining MediaOne Group, Ms.

Table of Contents

O Leary worked for U S WEST in a variety of legal areas including mergers and acquisitions, commercial transactions, international joint ventures, new product development, and regulatory issues. In addition to her work at U S WEST, Ms. O Leary was a partner with the law firm of Browning, Kaleczyc, Berry & Hoven, P.C. Ms. O Leary earned her undergraduate degree with honors from Dominican College in 1981, and her juris doctorate with honors from New York Law School in 1985.

[6] Mr. Simon joined TeleTech in 1999 and has served as TeleTech s Senior Vice President, Human Resources since July 2001. Prior to his current role, Mr. Simon was the Company s associate general counsel, handling labor and employment, as well as insurance and regulatory issues and also served as General Counsel during 2002. Before joining TeleTech, Mr. Simon was a partner at the New York law firm Hallenbeck, Lascell, Norris and Heller. Mr. Simon s private law practice focused on litigating employment and commercial matters, as well as business counseling for corporate clients. Mr. Simon holds an undergraduate degree from Colorado College and a law degree from Georgetown University.

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

Table of Contents

PART II

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

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

	High	Low
First Quarter 2003	$ 7.98	$ 4.45
Second Quarter 2003	$ 5.55	$ 3.65
Third Quarter 2003	$ 7.42	$ 3.31
Fourth Quarter 2003	$ 12.00	$ 5.72
First Quarter 2002	$ 16.05	$ 10.55
Second Quarter 2002	$ 14.18	$ 8.21
Third Quarter 2002	$ 9.62	$ 4.97
Fourth Quarter 2002	$ 9.24	$ 5.84

As of March 2, 2004, there were 75,287,300 shares of common stock outstanding, held by approximately 114 stockholders of record.

We did not declare or pay any dividends on our common stock in 2003 or 2002 and we do not expect to do so in the foreseeable future. Our debt agreements prohibit payment of cash dividends. In 2001, the Board of Directors authorized the repurchase of up to $25 million of our common stock, which was completed during 2002. In December 2002, the Board of Directors authorized the continuation of our repurchase program authorizing the repurchase of up to an additional $25 million of our common stock, of which $1.2 million had been repurchased as of December 31, 2003. Our debt agreements limit the amount of share repurchases.

Item 6. ***Selected Financial Data*****.**

The following selected financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the Financial Statements and the related notes appearing elsewhere in this report. The financial information for years prior to 2000 have been restated to reflect the August 2000 business combination with Contact Center Holdings, S.L. and the December 2000 business combination with Newgen Results Corporation, both of which were accounted for using the pooling-of-interests method of accounting.

The Company has determined that it is appropriate to restate its consolidated financial statements presented in its Annual Report, and as discussed in Notes 16 and 17 to consolidated financial statements.

Table of Contents

Statement of Operations Data:	2003[11]	2002[11]	(Unaudited) 2001[11]	(Unaudited) 2000[11]	(Unaudited) 1999[11]
	Year Ended December 31, (in thousands, except per share and operating data)				
Revenues	$ 1,001,128	$ 1,016,935	$ 912,544	$ 885,349	$ 604,264
Costs of services	764,687	769,700	634,717	564,459	403,648
SG&A and other operating expenses	160,491[9]	187,511[6]	192,636[4]	206,750[3]	118,053
Depreciation and amortization	58,596	57,725	57,608	48,001	32,661
Income from operations	17,354	1,999	27,583	66,139	49,902
Other income (expense)	(11,996)	(10,163)[7]	(30,501)[5]	49,386[2]	7,561[1]
Provision for income taxes	34,859[10]	1,538	1,705	47,833	20,978
Minority interest	(1,003)	1,361	(1,067)	(1,559)	
Income (loss) before cumulative effect of change in accounting principle	(30,504)	(8,341)	(5,690)	66,133	36,485
Cumulative effect of change in accounting principle		(11,541)[8]			
Net income (loss)	$ (30,504)	$ (19,882)	$ (5,690)	$ 66,133	$ 36,485
Net income (loss) per share -					
Basic	$ (0.41)	$ (0.26)	$ (0.08)	$ 0.89	$ 0.52
Diluted	$ (0.41)	$ (0.26)	$ (0.08)	$ 0.84	$ 0.49
Average shares outstanding -					
Basic	74,206	76,383	75,804	74,171	70,557
Diluted	74,206	76,383	75,804	79,108	74,462
Operating Data:					
Number of production workstations	24,497	23,263	19,893	20,600	13,800
Number of customer management centers	64	55	48	50	33
Balance Sheet Data:					
Working capital	$ 180,617	$ 181,464	$ 169,916	$ 173,123	$ 111,850
Total assets	554,816	539,583	570,595	574,121	362,579
Long-term debt, net of current portion	102,463	76,584	83,997	74,906	27,404
Total stockholders equity	285,512	292,580	337,453	356,587	253,145

1 Includes a $6.7 million gain from a contract settlement payment made by a former client.

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

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

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

5 Includes a loss of $16.5 million for an other -than-temporary decline in the value of the investment in enhansiv holdings, inc. (EHI) and a $0.7 million charge for a workforce reduction at EHI.

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

7 Includes a $2.3 million loss related to acquiring the remaining common stock of EHI.

8 Reflects the impairment of goodwill upon adoption of SFAS No. 142.

9 Includes a $7.0 million charge related to the impairment of fixed assets in connection with SFAS No. 144; a $5.6 million charge related to a reduction in force and facility exit charges in connection with SFAS No. 146; a $1.9 million benefit related to revised estimates of restructuring charges .

10 Includes a $33.2 million charge primarily for the impairment of deferred tax assets and the write-off of certain deferred tax assets.

11 Restated, see Notes 16 and 17 to the Consolidated Financial Statements.

Table of Contents

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

Restatement of Consolidated Financial Statements

On December 30, 2004, we announced that our Audit Committee met and agreed with management s recommendation that we restate our consolidated financial statements for the years ended December 31, 2003, 2002 and 2001.

The restatement is primarily a result of accounting adjustments that pertain to prior periods, the majority of which were disclosed in Item 9A in the original filing of our Annual Report on Form 10-K. As disclosed in Item 9A of the original filing of the Annual Report on Form 10-K, management completed a comprehensive review of its tax returns and tax related balance sheet accounts. The review resulted in amendments to previously filed tax returns, principally to correct tax basis depreciation expense, record a liability for estimated sales and use taxes for our Database Management and Consulting segment, and adjustments to reconcile certain tax-related balance sheet accounts. We also completed a comprehensive analysis of our procedures for reconciling all other significant balance sheet accounts and identified adjustments to grants, bank accounts, health insurance accruals and payroll tax accounts that related to prior periods over the last several years. At the time of the original filing, management concluded that approximately $11.7 million (pre-tax) of those adjustments related to prior periods. As of the date hereof, management has concluded that approximately $9.7 million of those adjustments related to prior periods. Additionally, we recorded the additional adjustments that we had identified at that time but did not record as they were immaterial (the net effect of those adjustments was to decrease net loss for 2003 by approximately $0.5 million).

In addition, subsequent to filing the 2003 Form 10-K, we identified a contract acquisition cost and related liability that became our right and obligation during 2002. We recorded the contract acquisition cost and related liability, as well as recorded the related amortization of the asset and reduction of the liability from inception of the obligation forward, decreasing net loss for 2003 by approximately $0.7 million and increasing net loss for 2002 by approximately $0.4 million. Lastly, we identified that we were not properly accounting for scheduled rent escalations at most of our locations. The impact of this was to record additional rent expense of $0.2 million, $0.8 million and $0.8 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Except as updated to reflect the restatement, the discussion below, including without limitation any forward-looking information contained therein, speaks only as of the initial filing date of March 8, 2004. We recommend that you read the discussion below in conjunction with all other periodic and current reports we filed under the Exchange Act after the filing of the original Form 10-K, including without limitation the information described in Notes 16 and 17 to the Consolidated Financial Statements included in Item 8 of this Form 10-K/A and the information contained in our Quarterly Reports on Form 10-Q/A for the quarters ended March 31, 2004, June 30, 2004 and September 30, 2004, each as filed on the date hereof.

The statements contained in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations are based on the restated Consolidated Financial Statements. The effects of the restatement are presented in Notes 16 and 17 to the Consolidated Financial Statements.

Executive Overview

We serve our clients through two primary businesses: (i) Customer Management Services, which provides outsourced customer support and marketing services for a variety of industries via call centers (customer management centers , or CMCs) throughout the world; and (ii) Database Marketing and Consulting. We separate our Customer Management Services business into two segments consistent with our management of the business, which generally reflects the internal financial reporting structure and operating focus. North American Customer Care consists of customer management services provided to United States and Canadian clients while International Customer Care consists of clients in all other countries. Database Marketing and Consulting provides outsourced database management, direct marketing and related customer retention services for automobile dealerships and manufacturers. Segment accounting policies are the same as those used in the consolidated financial statements. See Note 2 to the Consolidated Financial Statements for additional discussion regarding preparation of segment information.

Customer Management Services

The Customer Management Services segment generates revenue based primarily on the amount of time our representatives devote to a client s program. Revenue is recognized as services are provided. The majority of our revenue is, and we anticipate that the majority of our future revenue will continue to be, from multi-year contracts. However, we do provide some programs on a short-term basis and our operations outside of North America are characterized by shorter-term contracts. Additionally, we typically experience client attrition of approximately 10% to 15% of our revenue each year. Our invoice terms with customers range from 30 days to 45 days, excluding longer terms in Europe and prepay arrangements.

We compete primarily with the in-house customer management operations of our current and potential clients. We also compete with certain companies that provide customer management services on an outsourced basis. Over the last several years, the global economy has had a negative impact on the customer care management market. More specifically, sales cycles have lengthened, competition has increased, and contract values have been reduced.

Our revenue growth has been significantly impacted by the lengthening sales cycles and we have encountered delays in the closing of new sales opportunities for large client programs during 2003 and 2002. However, during the first quarter of 2002, we launched a significant new client contract, which led to an increase in our revenue from the year ended December 31, 2001 to 2002.

As discussed under Client Concentrations on page 36, North American Customer Care revenue in 2003 includes $31.5 million of revenue associated with a certain client that is expected to be reduced to $8.5 million in 2004 without a corresponding decrease in cost of sales.

The short-term focus of management is to increase revenue by:

- selling new business to existing customers;
- continuing to focus sales efforts on large, complex, multi-center opportunities; and
- differentiating our products and services by developing and offering new solutions to clients.

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

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

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

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

We target capacity utilization in our fully outsourced centers at 90%, up from a previous target of 85%, of our available workstations during the weekday period. As of December 31, 2003, capacity utilization in our Multi-Client centers was 70%.

Our profitability is also influenced by the number of new or expanded client programs. As required by the adoption of Emerging Issues Task Force (EITF) 00-21 for contracts entered into after July 1, 2003 (see Critical Accounting Policies for further discussion), in the event that a client may be billed for direct start-up costs, the associated revenue and costs are to be deferred and recognized straight-line over the life of the contract. In the event that a client cannot be billed for direct start-up costs, then those start-up costs are to be expensed when incurred. We strive to enter contracts where our clients pay separately for start-up costs as opposed to incorporating them into the ongoing production rate. However, in the fourth quarter 2003, we implemented multiple programs where the client was billed for direct start-up costs. As a result, our 2003 fourth quarter revenue and income from operations decreased by $3.3 million and $2.1 million, respectively.

Our industry is very labor-intensive and the majority of our operating costs relate to wages, costs of employee benefits and

18

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

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

- increasing sales to absorb unused capacity in existing global CMCs;
- reducing costs and continued focus on cost controls; and
- effectively managing our workforce in domestic and international CMCs.

Database Marketing and Consulting

The Database Marketing and Consulting segment has contracts with over 7,000 automobile dealers representing 12 different brand names. These contracts generally have terms ranging from twelve to twenty-four months. For a few major automotive manufacturers, the automotive manufacturer collects from the individual automobile dealers on our behalf. Our average collection period is 30 to 60 days.

Revenue from this segment is generated primarily from direct marketing campaigns involving direct mailing and outbound teleservice follow-up to promote automobile service business from a dealership s own customer base. This segment has experienced year-over-year revenue growth through expansion to additional automobile dealers and additional products. However, due to a combination of factors, both internal and external (such as client renewals and new product launch costs), we are currently forecasting a material decline in operating income in this segment in 2004, even after a reduction in force that occurred in the first quarter of 2004. To offset this decline, we plan to expedite the entry of new products and will continue to look for ways to reduce costs.

We plan to focus on the following in 2004:

- continue to increase revenue by expanding our offerings;
- diversifying our customer base by establishing relations with dealer groups and non-current customer automotive manufacturers; and
- continuing to drive cost reductions through a combination of reductions in force and operational effectiveness.

Fourth Quarter Adjustments

In the fourth quarter of 2003, we made numerous adjustments. We reversed the remaining $2.9 million of bonus accruals that had been previously recorded during 2003 following the decision that only the contractual minimum required bonuses would be paid due to lower than expected 2003 operating results. We completed an analysis of the recoverability of our deferred tax assets in Brazil and based upon our evaluation of positive and negative evidence, along with forecasted taxable income (loss) over the next three years, we determined to establish a valuation allowance of $1.9 million. Also, we deferred $3.3 million in revenue and $2.1 million in income from operations as a result of the adoption of EITF 00-21 (see Critical Account Policies).

Overall

Because of the following factors, we expect approximately break-even results for the first quarter of 2004:

minimum commitments from Verizon Communications (Verizon) are declining as described under Client Concentrations ;

we continue to invest in our sales development efforts;

our plans to improve individual program profitability have not been fully implemented; and

further reductions in force will require severance payments.

Critical Accounting Policies

We have identified the policies below as critical to our business and results of operations. For further discussion on the application of these and other accounting policies, see Note 1 to the Consolidated Financial Statements. Our reported results are impacted by the application of the following accounting policies, certain of which require management to make subjective or complex judgments. These judgments involve making estimates about the effect of matters that are inherently uncertain and may significantly impact quarterly or annual results of operations. Specific risks associated with these critical accounting policies are described in the following paragraphs.

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

Revenue Recognition. We recognize revenue at the time services are performed. Our Customer Management Services business recognizes revenue under production rate and performance-based models, which are:

Production Rate Revenue is recognized based on the billable hours or minutes of each CSR as defined in the client contract. The rate per billable hour or minute is based on a predetermined contractual rate, as agreed in the underlying contract. This contractual rate can fluctuate based on our performance against certain pre-determined criteria related to quality and performance. The impact on the rate is continually updated as revenue is recognized. Additionally, some clients are contractually entitled to penalties when we are out of compliance with certain obligations as defined in the client contract. Such penalties are recorded as a reduction to revenue as incurred based on a measurement of our obligation under the terms of the client contract.

Performance-based Under performance-based arrangements, we are paid by our customers based on achievement of certain levels of sales or other client-determined criteria specified in the client contract. We recognize performance-based revenue by measuring our actual results against the performance criteria specified in the contracts. Amounts collected from customers prior to the performance of services are recorded as deferred revenue.

We have certain contracts that are billed in advance. Accordingly, amounts billed but not earned under these contracts are excluded from revenue and included in customer advances and deferred income in the consolidated financial statements.

In July 2003, we adopted EITF 00-21, Revenue Arrangements with Multiple Deliverables (EITF 00-21), providing further guidance on how to account for multiple element contracts. EITF 00-21 is effective for all arrangements entered into after the second quarter of 2003. We have determined that EITF 00-21 requires the deferral of revenue for the initial training that occurs upon commencement of a new client contract (Start-Up Training) if that training is billed separately to a client. Accordingly, the corresponding training costs, consisting primarily of labor and related expenses, are also deferred. In these circumstances, both the training revenue and costs will be amortized straight-line over the life of the client contract. In situations where Start-Up Training is not billed separately, but rather included in the production rates paid by the client over the life of the contract, no deferral is necessary as the revenue is recognized over the life of the contract. If Start-Up Training revenue is not deferred, the associated training expenses will be expensed as incurred. The adoption of EITF 00-21 did not have a material impact on our operating results for the year ended December 31, 2003. However, the adoption of EITF 00-21 decreased our 2003 fourth quarter sales and income from operations by $3.3 million and $2.1 million, respectively.

Income Taxes. We account for income taxes under the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes, which requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the consolidated financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. When circumstances warrant, we assess the likelihood that our net deferred tax assets will more likely than not be recovered from future projected taxable income. Management judgment has been used in forecasting future taxable income.

During the second quarter of 2003, we updated our analysis of the recoverability of our deferred tax asset due to a change in facts and circumstances. While the Company had reported net losses during 2002 and 2001, we believed the net losses were primarily due to site closures, restructurings and adjusting assets to their net realizable value, and that operating results were profitable without such charges. Further, we expected 2003 and future operations to return to profitability. During the second quarter of 2003, we again incurred a net loss. The net loss was the result of both core operating results along with charges for site closures, restructurings and asset recoverability. These represented a different set of facts and circumstances from the end of 2002 and, accordingly, we determined that it was appropriate under those circumstances to record a valuation allowance for a portion of our deferred tax asset.

SFAS 109 provides for the weighing of positive and negative evidence in determining whether it is more likely than not that a deferred tax asset is recoverable. We also prepared a forecast of future taxable income, including domestic and international operating results and the reversal of existing temporary differences between income recognized under generally accepted accounting principles and income for federal income tax reporting purposes. Relevant accounting guidance suggests that a recent history of cumulative losses constitutes significant negative evidence, and that future expectations about taxable income are overshadowed by such recent losses. Accordingly, the expectations of future taxable income would generally be limited to no more than two or three years for generating sufficient income to recover deferred tax assets. During the second quarter of 2003, based on our evaluation of positive and negative evidence, along with forecasted taxable income (loss) over the next two to three years management established a valuation allowance equal to the net deferred tax assets in the U.S. On a global basis the valuation allowance increased by $25.9 million, of which $22.7 million was related to our U.S. business. The U.S. increase of $22.7 million includes $7.2 million representing the stock investment in EHI because it was determined deferred tax assets related to this asset could not be realized for tax purposes.

In the fourth quarter of 2003, management completed an analysis of the recoverability of our deferred tax assets in Brazil. Based upon an evaluation of positive and negative evidence, along with forecasted taxable income (loss) over the next three years, management determined to establish a valuation allowance equal to the net deferred tax assets of $1.9 million.

During 2003, we completed a global reconciliation of its tax assets and liabilities. The 2003, 2002 and 2001 consolidated financial statements, as restated, reflect the correction of cumulative book-tax differences by $6.5 million ($2.3 million tax effected) related to fixed assets and recorded cumulative book-tax differences in certain foreign locations of $6.2 million ($2.2 million tax effected).

We have approximately $9.0 million of net deferred tax assets related to certain international countries whose recoverability is dependent upon future profitability. We reviewed the net deferred tax assets in Mexico of $2.7 million, the majority of which are related to net operating loss carryforwards, to determine whether a valuation allowance was appropriate. Over the last six months, management in Mexico has materially reduced the operating costs in Mexico through reductions in force and other cost cutting measures, added new management, eliminated unprofitable client programs and added what we believe to be more profitable client programs. Based upon our cash flow projections, we determined it was not appropriate to record a deferred tax valuation allowance for Mexico as of December 31, 2003.

Goodwill. Goodwill is tested for impairment at least annually on reporting units one level below the segment level for the Company. The impairment, if any, is measured based on the estimated fair value of the reporting unit. Fair value can be determined based on discounted cash flows, comparable sales or valuations of other similar businesses. Impairment occurs when the carrying amount of goodwill exceeds its estimated fair value. Our policy is to test goodwill for impairment in the fourth quarter of each year unless an indicator of impairment arises prior to the fourth quarter.

The most significant assumptions used in this analysis are those made in estimating future cash flows. In estimating future cash flows, we generally use the financial assumptions in our internal forecasting model such as projected capacity utilization, projected changes in the prices we charge for our services and projected labor costs. We then use a discount rate we consider appropriate for the country where the business unit is providing services. If future actual results prove the assumptions used in performing the impairment test were wrong, the fair value of the reporting units may be significantly lower, causing the carrying value to exceed the fair value and indicating an impairment had occurred. Based on the testing performed in the fourth quarter of 2003, there was no impairment to the December 31, 2003 goodwill balance of $30.2 million. If projected revenue used in the analysis of goodwill was 10% less than forecast (the projections assumed revenue growth rates ranging from 10% to 26% per annum over a three-year period), there would still be no impairment to goodwill. Upon adoption of SFAS No. 142 in January 2002, we recorded a transitional impairment charge of approximately $11.5 million to write off the goodwill of our Latin America reporting unit.

Restructuring Liability. We periodically assess the profitability and utilization of our CMCs along with our overall profitability. In some cases, we have chosen to close under-performing centers and make reductions in force to enhance future profitability. In 2001 and 2002, under the previous accounting guidance, we recorded the anticipated charges at the time a plan was approved by management or the Board of Directors and various other criteria were met. On January 1, 2003, the Company adopted SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, which specifies that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred instead of upon commitment to a plan.

A significant assumption used in determining the amount of estimated liability for closing CMCs is the estimated liability for future lease payments on vacant centers, which we determine based on a third party broker s assessment of our ability to successfully negotiate early termination agreements with landlords and/or our ability to sublease the premises. If our assumptions regarding early

21

termination and the timing and amounts of sublease payments prove to be inaccurate, we may be required to record additional losses, or conversely, a future gain, in our Consolidated Statements of Operations. For the year ended December 31, 2003, we reversed $1.9 million of previously recorded restructuring charges in our Consolidated Statements of Operations related to revising estimated restructuring liabilities. As of December 31, 2003, we have accrued $2.5 million of estimated restructuring liabilities on the accompanying Consolidated Balance Sheets. See Note 13 to the Consolidated Financial Statements for an analysis of activity in the restructuring liability reserve.

Impairment of Long-Lived Assets. During the year, we evaluate the carrying value of our individual CMCs in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144) to evaluate whether future operating results are sufficient to recover the carrying costs of the long-lived assets. When the operating results of a center have reasonably progressed to a point making it likely that the site will continue to sustain losses in the future, or there is a current expectation that a CMC will be closed or otherwise disposed of before the end of its previously estimated useful life, we select the center for further review.

For CMCs selected for further review, we estimate the probability-weighted future cash flows from operating the center over its useful life. Significant judgment is involved in projecting future capacity utilization, pricing, labor costs and the estimated useful life of the center. Additionally, we do not test CMCs that have been operated for less than two years or those centers that have been impaired within the past two years (the Two Year Rule). We believe a sufficient time to establish market presence and build a customer base is required for new centers in order to determine recoverability and meet the Two Year Rule. However, the centers are nonetheless evaluated in case other factors would indicate an impairment in value. For recently impaired centers, we write the assets down to estimated fair market value. If the assumptions used in performing the impairment test prove insufficient, the fair value estimate of the CMCs may be significantly lower, thereby causing the carrying value to exceed fair value and indicating an impairment has occurred.

During 2003, we determined that two of our CMCs would not generate sufficient undiscounted cash flows to recover the net book value of our assets. During the second quarter of 2003, we determined to close the Kansas City center upon expiration of the work being performed for the United States Postal Service. Accordingly, the projections for that location indicated that an impairment exists. Additionally, we determined that an impairment existed for our Mexico City location. As a result, our North American and International Customer Care segments recorded charges of approximately $4.0 million and $3.0 million, respectively, to reduce the net book value of their long-lived assets to net realizable value.

A sensitivity analysis of the impairment demonstrated that if revenue was 10% less than projected in the probability-weighted projection scenarios (that had annual revenue growth rates ranging from 6% to 49% based on management expectations and available capacity) and the margin held constant, the impairment loss would have been approximately $9.3 million greater.

The following table summarizes the sensitivity analysis we performed during the fourth quarter of 2003 (dollars in thousands):

	Net Book Value	**Number of CMCs**	**Impairment Under Sensitivity Test**
Tested based on Two Year Rule			

Positive cash flow in period	$ 54,960	35	$	
Negative cash flow in period	$ 8,717	3	$	5,400
Not tested based on Two Year Rule				
Positive cash flow in period	$ 10,761	4	$	
Negative cash flow in period	$ 15,965	22	$	3,900
Total				
Positive cash flow in period	$ 65,721	39	$	
Negative cash flow in period	$ 24,682	25	$	9,300

Additionally, SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, contains a broadened definition of discontinued operations. Under SFAS No. 144, under certain circumstances, closing a center could result in discontinued operations classification, which would result in restating prior period results.

Estimated Sales and Use Tax Liability. We have received inquiries from several states regarding the applicability of sales or

Table of Contents

use taxes on our services primarily provided by our Database Marketing and Consulting segment. We are working with the inquiring states to determine what liability exists, if any, in each respective state. In addition to the inquiring states, we have initiated a self-assessment to determine whether sales or use taxes are applicable in each state in which our Database Marketing and Consulting segment does business. Sales and use tax laws are complex and vary by state. We have determined that sales or use tax applies in certain states to our products and services of our Database Marketing and Consulting segment. The consolidated financial statements include an accrual for sales and/or use tax of $2.9 million and $2.0 million as of December 31, 2002 and December 31, 2001, respectively. While we cannot quantify the ultimate liability that will be owed, as of December 31, 2003 we have recorded an accrual for sales and/or use tax of approximately $3.6 million, an amount we believe to be the minimum liability that will be owed, net of receipts from customers. As we progress in our assessment and dealings with the various states, we will update this estimated liability and record charges to operations, if any, when such amounts become both probable and reasonably estimable. At this time, we do not expect the outcome to have a material adverse effect on our results of operations, financial condition or cash flows.

With regards to the North American Customer Care segment, we have not determined whether sales or use tax applies to our services. If we determine sales tax does apply, our contracts generally provide for such taxes to be passed on to the client. However, no assurance can be given that we would be successful in passing on past or future taxes to our clients, and accordingly, it could impact our future results of operations.

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

Table of Contents

RESULTS OF OPERATIONS

Operating Review

The following tables are presented to facilitate Management s Discussion and Analysis (dollars in thousands):

	Restated (see Note 16 and 17 to the Consolidated Financial Statements) Year Ended December 31,					
	2003	% of Revenue	2002	% of Revenue	$ Change	% Change
Revenues:						
North American Customer Care	$ 635,627	63.5%	$ 708,522	69.7%	$ (72,895)	-10.3%
International Customer Care	255,894	25.6%	212,425	20.9%	43,469	20.5%
Database Marketing and Consulting	109,607	10.9%	95,988	9.4%	13,619	14.2%
	$ 1,001,128	100.0%	$ 1,016,935	100.0%	$ (15,807)	-1.6%
Costs of Services:						
North American Customer Care	$ 495,108	77.9%	$ 552,433	78.0%	$ (57,326)	-10.4%
International Customer Care	217,214	84.9%	171,894	80.9%	45,320	26.4%
Database Marketing and Consulting	52,365	47.8%	45,373	47.3%	6,993	15.4%
	$ 764,687	76.4%	$ 769,700	75.7%	$ (5,013)	-0.7%
Selling, General and Administrative:						
North American Customer Care	$ 60,526	9.5%	$ 70,700	10.0%	$ (10,174)	-14.5%
International Customer Care	55,216	21.6%	41,624	19.6%	13,592	32.9%
Database Marketing and Consulting	34,118	31.1%	32,915	34.3%	1,203	3.7%
	$ 149,860	15.0%	$ 145,239	14.3%	$ 4,621	3.2%
Depreciation and Amortization:						
North American Customer Care	$ 32,967	5.2%	$ 33,791	4.8%	$ (824)	-2.4%
International Customer Care	15,887	6.2%	15,984	7.5%	(97)	-0.6%
Database Marketing and Consulting	9,742	8.9%	7,950	8.3%	1,792	22.5%
	$ 58,596	5.9%	$ 57,725	5.7%	$ 871	1.5%
Restructuring Charges, Net:						
North American Customer Care	$ 1,347	0.2%	$ 6,820	1.0%	$ (5,473)	-80.2%
International Customer Care	2,228	0.9%	2,636	1.2%	(408)	-15.5%
Database Marketing and Consulting	101	0.1%		0.0%	101	100.0%
	$ 3,676	0.4%	$ 9,456	0.9%	$ (5,780)	-61.1%

Impairment Loss:									
North American Customer Care	$	3,955	0.6%	$	16,676	2.4%	$	(12,721)	-76.3%
International Customer Care		3,000	1.2%		16,140	7.6%		(13,140)	-81.4%
Database marketing and consulting			0.0%			0.0%			0.0%
	$	6,955	0.7%	$	32,816	3.2%	$	(25,861)	-78.8%
Income (Loss) from Operations:									
North American Customer Care	$	41,725	6.6%	$	28,102	4.0%	$	13,623	48.5%
International Customer Care		(37,651)	-14.7%		(35,853)	-16.9%		(1,798)	5.0%
Database Marketing and Consulting		13,280	12.1%		9,750	10.2%		3,530	36.2%
	$	17,354	1.7%	$	1,999	0.2%	$	15,355	768.1%
Other Income (Expense):									
North American Customer Care	$	(12,177)	-1.9%	$	(9,286)	-1.3%		$(2,891)	31.1%
International Customer Care		(61)	-0.0%		(713)	-0.3%		652	-91.4%
Database Marketing and Consulting		242	0.2%		(164)	-0.2%		406	247.6%
	$	(11,996)	-1.2%	$	(10,163)	-1.0%	$	(1,833)	18.0%
Income Tax Expense (Benefit):									
North American Customer Care	$	13,830	2.2%	$	11,491	1.6%	$	2,339	20.4%
International Customer Care		17,027	6.7%		(13,895)	-6.5%		30,922	-222.5%
Database Marketing and Consulting		4,002	3.7%		3,942	4.1%		60	1.5%
	$	34,859	3.5%	$	1,538	0.2%	$	33,321	2,166.5%

Table of Contents

	Restated (see Note 16 and 17 to the Consolidated Financial Statements) Year Ended December 31, 2002	% of Revenue	(Unaudited) 2001	% of Revenue	$ Change	% Change
Revenues:						
North American Customer Care	$ 708,522	69.7%	$ 606,607	66.5%	$ 101,915	16.8%
International Customer Care	212,425	20.9%	234,781	25.7%	(22,356)	-9.5%
Database Marketing and Consulting	95,988	9.4%	71,156	7.8%	24,832	34.9%
	$ 1,016,935	100.0%	$ 912,544	100.0%	$ 104,391	11.0%
Costs of Services:						
North American Customer Care	$ 552,433	78.0%	$ 428,915	70.7%	$ 123,518	28.8%
International Customer Care	171,894	80.9%	171,109	72.9%	785	0.5%
Database Marketing and Consulting	45,373	47.3%	34,693	48.8%	10,680	30.8%
	$ 769,700	75.7%	$ 634,717	69.6%	$ 134,983	21.3%
Selling, General and Administrative:						
North American Customer Care	$ 70,700	10.0%	$ 84,913	14.0%	$ (14,213)	-16.7%
International Customer Care	41,624	19.6%	50,098	21.3%	(8,474)	-16.9%
Database Marketing and Consulting	32,915	34.3%	24,377	34.3%	8,538	35.0%
	$ 145,239	14.3%	$ 159,388	17.5%	$ (14,149)	-8.9%
Depreciation and Amortization:						
North American Customer Care	$ 33,791	4.8%	$ 33,999	5.6%	$ (208)	-0.6%
International Customer Care	15,984	7.5%	15,793	6.7%	191	1.2%
Database Marketing and Consulting	7,950	8.3%	7,816	11.0%	134	1.7%
	$ 57,725	5.7%	$ 57,608	6.3%	$ 117	0.2%
Restructuring Charges, net:						
North American Customer Care	$ 6,820	1.0%	$ 19,765	3.3%	$ (12,945)	-65.5%
International Customer Care	2,636	1.2%	2,215	0.9%	421	19.0%
Database Marketing and Consulting		0.0%	4,268	6.0%	(4,268)	-100.0%
	$ 9,456	0.9%	$ 26,248	2.9%	$ (16,792)	-64.0%
Impairment and Other Losses:						
North American Customer Care	$ 16,676	2.4%	$ 7,000	1.1%	$ 9,676	138.2%
International Customer Care	16,140	7.6%		0.0%	16,140	100.0%
Database Marketing and Consulting		0.0%		0.0%		0.0%

	$	32,816	3.2%	$	7,000	0.8%	$	25,816	368.8%
Income (Loss) from Operations:									
North American Customer Care	$	28,102	4.0%	$	32,015	5.3%	$	(3,913)	-12.2%
International Customer Care		(35,853)	-16.9%		(4,434)	-1.9%		(31,419)	-708.6%
Database Marketing and Consulting		9,750	10.2%		2	0.0%		9,748	20,000.0%+
	$	1,999	0.2%	$	27,583	3.0%	$	(25,584)	-92.8%
Other Income (Expense):									
North American Customer Care	$	(9,186)	-1.3%	$	(19,214)	-3.2%	$	9,928	-53.8%
International Customer Care		(713)	-0.3%		(9,786)	-4.2%		9,073	-92.7%
Database Marketing and Consulting		(264)	-0.3%		(1,501)	-2.1%		1,337	-89.1%
	$	(10,163)	-1.0%	$	(30,501)	-3.3%	$	20,338	-66.7%
Income Tax Expense (Benefit):									
North American Customer Care	$	11,491	1.6%	$	8,460	1.4%	$	3,031	35.8%
International Customer Care		(13,895)	-6.5%		(7,272)	-3.1%		(6,623)	91.1%
Database Marketing and Consulting		3,942	4.1%		517	0.7%		3,425	662.5%
	$	1,538	0.2%	$	1,705	0.2%	$	167	-9.8%

25

Table of Contents

Financial Comparison

The following tables are a condensed presentation of the components of the change in net loss between years and designed to facilitate the discussion of results in this Form 10-K (all amounts are in thousands):

	Restated (see Note 16 and 17 to Consolidated Financial Statements) Year ended December 31, 2003	2002
Current year reported net loss	$ (30,504)	$ (19,882)
Prior year reported net loss	(19,882)	(5,690)
Difference	$ (10,622)	$ (14,192)
Explanation:		
Net reduction to income from operations related to segment results	(27,751)	(10,691)
Sales and use tax accrual	656	(906)
Reduction (increase) in restructuring and impairment losses and related items	33,412	(11,357)
Write-off of accounts receivable in the United Kingdom	2,700	(2,700)
Reversal of bonus accruals	3,747	¾
Other than temporary decline in equity investment		16,500
Increase in net interest expense	(4,245)	(1,119)
Foreign currency transaction loss	(3,022)	638
Change in charge related to Percepta warrants		3,118
All other, net	5,661	3,699
Adoption of accounting rule change for goodwill in 2002	11,541	(11,541)
Tax Items		
Deferred tax valuation allowance and other income tax matters	(34,753)	(5,196)
Tax impact on above and other	(1,432)	5,363
	$ (10,622)	$ (14,192)

The table below presents workstation data for multi-client centers as of December 31, 2003. Dedicated and Managed Centers have been excluded as any unused seats in these facilities are not available for sale. Our utilization percentage is defined as the total number of utilized production workstations compared to the total number of available production workstations.

2003 Total Production Workstations	In Use	% in Use	2002 Total Production Workstations	In Use	% in Use
12,575	8,789	70%	11,953	7,095	59%

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

Table of Contents

2002 versus 2003

Revenues. The decrease in North American Customer Care revenue between periods was driven primarily by the ramp down of the United States Postal Service (USPS) contract during 2003, as well as the ramp down or no longer having approximately eleven Multi-Client center programs, primarily in the communications sector. Several of the Multi-Center programs were temporary in nature and ended during the first quarter of 2002. The decrease in North American Customer Care revenue was also caused by a lack of new business. We typically churn approximately 10% to 15% of our revenue each year. Historically, we have signed a sufficient amount of new business, or grown existing customer business, to more than offset the normal churn. However, over the past several years, we have experienced longer sales cycles, which we attribute to the downturn in the global economy. Recently, we have noted an increase in new contract activity. While our strategy is to differentiate ourselves by focusing on complex engagements and offering value added solutions, there is no assurance that we will be successful in winning new business or mitigate future price decreases with this strategy.

The increase in International Customer Care revenue between periods is the net result of increases in Europe and Asia Pacific offset by decreases in Latin America. The increase in Asia Pacific is primarily due to changes in foreign currency exchange rates. Approximately half of the increase in Europe was driven by favorable changes in foreign currency exchange rates. The remainder of the increase is in Spain and resulted from the combination of an increase in an existing client program along with a new short-term project that was completed in June 2003. Latin American revenue decreased primarily as a result of changes in foreign currency exchange rates and a decrease in revenue in Mexico. Mexico s revenue decreased primarily due to no longer having several profitable client programs offset by an increase in revenue due to an accounting treatment change related to the adoption of EITF No. 99-19, Reporting Revenue Gross as Principal versus Net as an Agent and EITF No. 01-14, Income Characterization of Reimbursement Received for Out of Pocket Expenses Incurred. Toward the end of 2003, we launched several new client programs, which are expected to increase revenue in 2004. We are evaluating unprofitable client programs, and if we exit these programs, our revenue could decrease.

Database Marketing and Consulting revenue increased primarily due to an increase in the customer base as well as increased sales to existing customers.

Costs of Services. Costs of services as a percentage of revenue in North American Customer Care decreased slightly from 2002 to 2003. The loss of USPS caused an increase in the costs of services as a percentage of revenue, but this was offset by improvement in margins of other programs. We are taking additional steps to reduce our cost of services as a percentage of revenue for all programs in our North American Customer Care segment including enhancing our timekeeping and workforce management systems and other actions to improve program profitability. There is no assurance that we will be successful in these efforts.

The increase in costs of services as a percentage of revenue in International Customer Care between periods is consistent in all regions. The deterioration in Latin America is primarily due to Mexico. The Mexico deterioration was primarily caused by no longer having several profitable programs, a more competitive local market and an increase of costs related to adopting EITF 99-19 and EITF 01-14 as discussed above. The deterioration in Asia Pacific is primarily the result of pricing and performance issues with a certain client program in Australia. In the fourth quarter of 2003, we renegotiated the terms of this contract and, as a result, we expect the profitability to improve. Europe costs as a percentage of revenue increased between periods primarily as the result of an increase in the United Kingdom (UK) offset in part by improvements in Spain. The increase in costs of services as a percentage of revenue in the UK is the result of a movement from higher margin inbound work to lower margin outbound work. Spain improved primarily as the result of terminating several unprofitable contracts during the second quarter of 2002. Because of the continued high costs of services in certain locations, we took actions to reduce the costs of services in the UK, Spain, Mexico and Asia Pacific through reductions in force. The reductions in force were mostly completed by the end of February 2004. Approximately $1.0 million of the restructuring expense was recorded in the fourth quarter of 2003, but an additional $0.7 million will be recorded in the first quarter of 2004.

Costs of services as a percentage of revenue for Database Marketing and Consulting is comparable between periods. However, in order to reduce the impact on margins discussed above, we have recently taken action to reduce the costs of services through a reduction in force, which will result in restructuring expense of approximately $0.5 million in the first quarter of 2004.

Selling, General and Administrative. As a percentage of revenue, selling, general and administrative expenses decreased slightly. In absolute dollars selling general and administrative expenses decreased primarily due to a decrease in bonus expense and adjustments resulting from account reconciliations.

Selling, general and administrative expenses as a percentage of revenue for International Customer Care increased as a percentage of revenue. In absolute dollars, the increase between periods was due to increases in Asia Pacific and Latin America offset by decreases in the UK. Changes in foreign currency exchange rates were a significant contributor to the increase in Asia Pacific expenses. Latin American increases were caused by increases in payroll and related expenses, bad debt expense, telecommunications and occupancy costs. In June 2003, we reduced administrative headcount in Mexico by 130, which decreased the payroll and related expenses from the first half of the year to the second half of the year. The decreases in the UK were caused by reductions in bad debt expense as 2002 costs included an allowance for a client receivable that was written off in 2003. As previously discussed, all of these regions recently have taken action to reduce selling, general and administrative expenses.

Selling, general and administrative expenses as a percentage of revenue in Database Marketing and Consulting decreased, primarily due to the increase in revenue as a significant amount of selling, general and administrative expenses are fixed in nature.

Depreciation and Amortization. In absolute dollars depreciation expense in North American Customer Care remained comparable to the prior year.

The decrease in International Customer Care depreciation expense as a percentage of revenue is the result of higher revenue as well as the impairments recorded during the fourth quarter of 2002 and the second quarter of 2003. In absolute dollars, depreciation expense was comparable between years.

The increase in Database Marketing and Consulting depreciation expense is the result of greater fixed asset balances in 2003 as well as the commencement of amortizing certain capitalized software costs during the third quarter of 2002 (as a result of launching new products).

Restructuring Charges. During the year ended December 31, 2003, the North American Customer Care segment recorded restructuring charges of approximately $1.6 million related to the closure of its Kansas City, Kansas facility being used to serve the USPS. These charges consisted primarily of the remaining lease liability along with severance payments. In addition, the Company s North American Customer Care segment recorded a charge of $0.4 million for severance and termination benefits for 591 employees at a managed center that was shut down in March 2003. The Company s North American Customer Care, International Customer Care and Database Marketing and Consulting segments also recorded approximately $1.3 million, $2.2 million, and $0.1 million, respectively, during the year ended December 31, 2003 for other severance and termination benefits related to the termination of 102, 203 and 13 administrative employees, respectively. The Company reversed approximately $1.9 million of excess accruals related to 2002 restructurings. The reversal of excess accruals has been offset against the restructuring expense in the accompanying Consolidated Statements of Operations.

Impairment Loss. During 2003, the North American Customer Care segment recorded an impairment loss of approximately $4.0 million to reduce the net book value of the long-lived assets of its Kansas City, Kansas CMC to their estimated fair market value. See discussion above under Critical Accounting Policies.

During 2003, the International Customer Care segment recorded an impairment loss of approximately $3.0 million to reduce the net book value of the long-lived assets of our Mexico City CMC to their estimated fair market value. See discussion above under Critical Accounting Policies.

If we do not achieve the results projected in our probability-weighted cash flows for certain customer centers, particularly a center in the UK, then we would record an impairment loss in 2004. See additional discussion in Critical Accounting Policies.

Other Income (Expense). The increase in other expense between periods was primarily due to an increase in interest expense as well as foreign currency transaction losses partially offset by a decrease in the equity losses from our investment in enhansiv holdings, inc. (EHI) during 2002. Interest expense increased as a result of a higher debt balances in 2003 compared to 2002 due to borrowings related to the purchase of the corporate headquarters building in February 2003. In addition, the interest rates were increased in August 2003 as a result of amending our debt agreements due to violations of debt covenants. The foreign currency transaction losses were incurred primarily on the intercompany receivable/payable between the U.S. and Canada related to services being provided in Canada on behalf of U.S. based clients, and primarily during the first six months of 2003. During 2003, we recorded approximately $2.4 million of foreign currency transaction losses versus the $0.6 million gain in 2002. Foreign currency transaction losses and gains are related to intercompany receivable/payable balances, and while we hedge the foreign currency risks associated with our revenue in Canada, we do not hedge risks associated with the timing of settling intercompany accounts. We began settling these accounts more timely in the third quarter of 2003, which mitigated our future exposure to fluctuations in foreign currency exchange rates. See discussion in Item 7A.

Income Taxes. Income tax expense increased $33.3 million from 2002 to 2003 primarily because of the following:

- establishment of valuation allowances of $25.9 million (prior year $5.5 million), mostly in the U.S. and Brazil as previously discussed in Critical Accounting Policies;

- write off of $7.2 million for our deferred tax assets related to Enhansiv Holdings, Inc. (EHI); and

- state income taxes of approximately $2.0 million to be paid even though the U.S. expects to report a taxable loss.

If we do not achieve the results in our cash flow analysis used to evaluate the deferred tax assets in Mexico, a valuation allowance of up to $2.7 million may need to be established. See additional discussion in Critical Accounting Policies .

Because we have recorded material deferred tax valuation allowances, until the allowance has been utilized, income tax expense will principally represent current taxes payable and, accordingly, our effective tax rate will be less than the statutory rate. At this time, we estimate our 2004 effective tax rate to be in the range of 25% to 30%. We are reviewing various tax planning strategies, some of which might result in our receiving tax refunds. It is premature to know how much, if any, or when the refunds may take place.

Cumulative Effect of Change in Accounting Principle. Upon adoption of SFAS No. 142 in the first quarter of 2002, we recorded an impairment of approximately $11.5 million related to the goodwill of our Latin American reporting unit. The impairment was due to the economic risk and uncertainty associated with that region, particularly Argentina, and the corresponding high discount rate used in the SFAS No. 142 calculation.

2001 versus 2002

Revenues. The increase in North American Customer Care revenue between periods was driven primarily by a new client program offset by the ramp down or no longer having approximately ten Multi-Client center programs, primarily in the communications sector.

The decrease in International Customer Care revenue between periods is the net result of higher revenue in Asia Pacific offset by lower revenue in Latin America and Europe. The increase in Asia Pacific is primarily due to growth in existing client programs in Australia and New Zealand. The decrease in Europe was driven by Spain terminating several unprofitable contracts. Latin American revenue decreased primarily as a result of currency devaluation in Argentina. Since then, we have converted the majority of the contracts in Argentina to the U.S. based contracts priced in U.S. dollars.

Database Marketing and Consulting revenue increased primarily due to an increase in the customer base as well as increased sales to existing customers.

Costs of Services. Costs of services as a percentage of revenue in North American Customer Care increased over the prior year. The costs of services as a percentage of revenue have been adversely impacted by several factors. The first is the launch of a significant new North American Customer Care program. The terms of the contract contemplated work being transitioned from existing high cost locations to lower labor cost markets over time. Accordingly, the hourly rate paid to us by the client declined during the first two years of the contract period (eventually leveling off for the remainder of the contract) based on a transition plan. Due to higher call volumes than originally anticipated, we did not transition work to lower cost markets as quickly as the original plan contemplated. We completed the transition plan late in 2003. In addition, costs of services as a percentage of revenue was adversely impacted by deterioration of margins at Percepta, primarily due to price concessions sought by Ford. Ford advised us that such concessions were in line with the price concessions Ford received from all of its vendors. This led to efforts to reduce costs and in 2003 Percepta returned to profitability.

The increase in costs of services as a percentage of revenue in International Customer Care between periods occurred in all regions. The degradation in Latin America is primarily due no longer having several profitable programs in Mexico. The degradation in Asia Pacific is primarily due a price reduction that took effect in 2002 and other pricing pressures. Europe costs of services as a percentage of revenue deteriorated between periods primarily as the result of deterioration in Spain due to pricing pressures. In the second quarter of 2002, Spain did exit certain unprofitable contracts during the year, and Spain s margins did improve subsequent to these actions.

Costs of services as a percentage of revenue for Database Marketing and Consulting are comparable.

Selling, General and Administrative. The decrease in selling, general and administrative expenses as a percentage of revenue in North American Customer Care is primarily due to the increase in revenue between periods as a significant amount of selling, general and administrative expenses are fixed in nature. In absolute dollars, selling, general and administrative expenses decreased from 2001 to 2002. As a result of cost containment initiatives, the expenses in consulting, travel and entertainment and long distance telephone costs decreased from 2001 to 2002. In addition, a favorable outcome of collection of an accounts receivable resulted in a reduction of bad debt expense from the prior year.

Selling, general and administrative expenses as a percentage of revenue for International Customer Care increased between periods. In absolute dollars, the decrease between periods was due to decreases in the corporate allocation due to lower corporate consulting and relocation expenses offset by increases in Asia Pacific and Latin America. The increase in Asia Pacific was caused partially by changes in exchange rates and headcount additions related to expansion to other countries. The increase in Latin America was primarily as a result of an increase in Mexico only partially offset by decreases in Argentina and Brazil. The increase in Mexico was primarily due to increases in maintenance and employee related costs due to increases in headcount. The decreases in Argentina and Brazil were primarily driven by currency devaluation.

The decrease in selling, general and administrative expenses as a percentage of revenue in Database Marketing and Consulting is primarily due to the increase in revenue between periods as a significant amount of selling, general and administrative expenses are fixed in nature. In absolute dollars, selling, general and administrative expenses increased from 2001 to 2002 caused by increased accruals for estimated sales and use tax liabilities. Also, salaries increased to support the business growth as well as higher commissions related to launch of a significant customer in August 2001.

Depreciation and Amortization. In absolute dollars, depreciation expense decreased between periods resulting from the adoption of SFAS No. 142 which resulted in no goodwill amortization during 2002. Amortization of goodwill amounted to $2.7 million during 2001.

Restructuring Charges. During 2002, the North American Customer Care segment recorded restructuring charges associated with the termination of administrative employees, the closure of a CMC in Canada and the impairment of a property lease totaling approximately $4.5 million, $0.4 million and $1.9 million, respectively. Additionally, the Company s international Customer Care segment recorded a loss on the closure of two CMCs in Spain of approximately $0.9 million and restructuring charges associated with the termination of administrative employees of $1.7 million.

During 2001, we recorded a $7.7 million loss in our North American Customer Care segment on the closure of a CMC located in Thornton, Colorado. In addition, we implemented certain cost cutting measures. In connection with these actions, we recorded severance and other termination benefits related to a reduction in force of approximately 500 employees and recognized restructuring charges of $12.1 million, $2.2 million and $4.3 million in North American Customer Care, International Customer Care and Database Marketing and Consulting segments, respectively.

Impairment Loss. During 2002, we recorded a $32.8 million impairment loss in the fourth quarter to adjust the fixed asset balances of certain CMCs in the North American Customer Care and International Customer Care segments to their fair market values, in accordance with SFAS No. 144. During 2001, we recorded a loss on real estate held for sale of $7.0 million in North American Customer Care as more fully described in Note 11 to the Consolidated Financial Statements.

Other Income (Expense). Typically, the majority of other income (expense) is recorded as a corporate expense, which is allocated to the segments. Therefore, the following explanations are for the total of all segments. Included in 2002 other expense is approximately $2.3 million related to purchasing the common stock of EHI from the four remaining outside shareholders along with approximately $3.6 million of equity losses related to EHI for the period prior to when we began consolidating the results of EHI (prior to June 2002).

As further described in Note 10 to the Consolidated Financial Statements, Ford has the right to earn additional warrants based upon Percepta s achievement of certain revenue thresholds.

Included in 2001 is a non-recurring $16.5 million loss for the other than temporary decline in value of our equity investment in EHI, as well as $7.7 million for our share of losses from EHI.

Additionally, net interest expense increased approximately $1.1 million in 2002 from 2001. This increase is primarily due to our Senior Notes (which were outstanding for the entire year of 2002) bearing interest at a higher rate than our existing line of credit agreement, which was the most significant debt balance in 2001.

Income Taxes. During 2002, the Company recorded $1.5 million in tax expense, a decrease of $0.2 million from 2001. Significant in 2002 was the Company s decision to record a valuation allowance of $5.5 million related to Spain (see Note 5 to the consolidated financial statements).

Table of Contents

Liquidity and Capital Resources

Cash Requirements

Our primary future cash requirements are detailed in the following table of contractual obligations at December 31, 2003, (amounts in thousands):

Contractual Obligations	Less than 1 year	2-3 years	4-5 years	Over 5 years	Total
Long-term debt and Senior Notes[1]	$ 13,915	$ 28,374	$ 28,384	$ 6,510	$ 77,183
Capital lease obligations[1]	909	195	¾	¾	1,104
Line of credit[1]	¾	39,000	¾	¾	39,000
Grant advances[3]	11,919	¾	¾	¾	11,919
Purchase obligations[2]	27,772	24,066	13,891	26,132	91,861
Operating lease commitments[2]	32,072	42,081	28,744	64,917	167,814
Total	$ 86,587	$ 133,716	$ 71,019	$ 97,559	$ 388,881

1 Reflected on accompanying Consolidated Balance Sheets.

2 Not reflected on accompanying Consolidated Balance Sheets.

3 We are currently attempting to renegotiate the terms of the grant as discussed in Note 1 to the Consolidated Financial Statements. We believe a portion of this will then become due in more than one year.

Long-term debt and Senior Notes relate primarily to our Senior Notes agreement, which is described in more detail below. Capital lease obligations relate primarily to equipment leases that are generally less than three years in term. The line of credit relates primarily to the Revolver, which is described in more detail below, as well as a line of credit we have in Spain. Grant advances are described in more detail in Note 1 to the Consolidated Financial Statements, and are primarily related to grants from local or state governments as incentive to locate CMCs within their jurisdiction. Purchase obligations are contractual commitments we have to purchase a variety of goods and services. Operating lease commitments relate primarily to facility leases for our CMCs, the lease terms for which generally range from 3 to 20 years.

In the first quarter of 2004, we will be required to repay approximately $7.2 million of the grant advances and back rent as part of renegotiations as discussed in Note 1 to the Consolidated Financial Statements.

In addition, our liquidity requirements include cash-related expenses associated with costs of services and selling, general and administrative expenses, as well as interest expense and income tax expense. In 2003, payroll-related expenses, telecommunications costs and facility lease expenses comprised approximately 90% of costs of services and selling, general and administrative expenses combined, with payroll-related expenses comprising the largest component of the total (approximately 77%). Given the nature of our client agreements, the majority of payroll-related expenses are semi-variable in nature and fluctuate with increases or decreases in call volumes related to client projects.

As it relates to the individual segment liquidity requirements, historically, the North American Customer Care and Database Marketing and Consulting segments have generated sufficient cash from operating activities to fund operations. The European and Latin American operations within the International Customer Care segment have historically required funding from other regions of the company, including North America and Asia Pacific.

Purchase Commitments. Effective December 15, 2003, we entered into a forty-two month telecommunication services agreement (the Services Agreement) with a major telecommunications company (the Telecomm Company) with a minimum purchase commitment of $17.0 million. The Services Agreement specifies that, if by January 1, 2005, the Telecomm Company has not awarded us 1,000 full-time equivalent seats and a twenty-four month commitment, we may terminate the Services Agreement without liability. In the event that the Services Agreement is terminated by us without cause or by the Telecomm Company for cause, we will be required to pay an amount equal to the difference between the Minimum Commitment and the actual services purchased during the life of the Services Agreement. Although no assurances can be given, we believe that our telecommunication service requirements will be sufficient to meet the Minimum Commitment amount.

Effective December 2003, we entered into a thirty month initial period contract with another telecommunications company with a minimum purchase commitment of $6.0 million. If we terminate the contract during the initial period, a penalty of up to 50% of the minimum purchase commitment will be assessed. If, during the initial period, the telecommunications company terminates or significantly reduces volumes under a Master Service Agreement signed with us on June 29, 2001, a penalty of 5% of the remaining minimum purchase commitment can be assessed.

Capital expenditure commitments and other cash requirements. Our cash requirements also include capital expenditures primarily related to ongoing maintenance, upgrades or replacement of existing assets, and the development and retrofit of new CMCs. We used $93.2 million in investing activities in 2003, primarily related to the $38.2 million acquisition of our corporate headquarters, the development of new CMCs and, to a lesser extent, capitalized software costs related to our Database Marketing and Consulting segment.

In 2002, we used $34.6 million in investing activities, primarily related to the development of new CMCs and capitalized software activities incurred in the Database Marketing and Consulting segment. In addition, in 2002 we received proceeds from the sale of available-for-sale securities and the liquidation of short-term investments.

We used $75.0 million in investing activities during 2001, primarily for capital expenditures related to the development of new CMCs, including expenditures related to our planned headquarters building, as well as funding for enhansiv.

We currently expect total capital expenditures in 2004 to range between $40 million and $50 million, the majority of which is attributable to maintenance capital for existing CMCs, the opening or expansion of CMCs and internal technology projects. Such expenditures are financed with internally generated cash flows, existing cash balances and, to the extent necessary, cash flows from financing activities. The anticipated level of 2004 capital expenditures is primarily dependent upon new client contracts and the corresponding requirement for additional CMC capacity and technological infrastructure. Furthermore, if growth is generated through facilities management contracts, where we provide customer management services from a client-owned facility, the anticipated level of capital expenditures may decline.

In April 2003, we announced a joint venture agreement with Bharti Enterprises Limited (Bharti) to provide in-country and offshore customer management solutions in India. Under terms of the agreement, we will participate with Bharti in a joint venture known as TeleTech Services India Private Limited (TeleTech India). Each party initially had a 50% ownership interest in TeleTech India with TeleTech having the ability to acquire up to 80% of the venture. In February 2004, we acquired an additional 10% interest in TeleTech India, bringing our total ownership interest in TeleTech India to 60%.

As described more fully in Note 10 to the Consolidated Financial Statements during the first quarter of 2000, we formed Percepta with Ford Motor Company (Ford). Percepta was formed to provide global customer management solutions to Ford and other automotive companies. Under the joint venture operating agreement, we have the right to require Ford to purchase our interest in Percepta at fair market value at any time after December 31, 2004. Ford also has the right to require us to sell our interest in Percepta at fair market value at any time after December 31, 2004. The net book value of Percepta as of December 31, 2003 is approximately $20.1 million. For the year ended December 31, 2003, Percepta reported revenue and income from operations of $92.0 million and $6.1 million, respectively.

Known trends and uncertainties. From time to time we launch large client contracts that may result in significant negative working capital because of the time period between incurring the costs for training and launching the program, and the beginning of the accounts receivable collection process. As a result, periodically we may generate negative cash flows from operating activities. From time to time, we engage in discussions regarding restructurings, dispositions, mergers, acquisitions and other similar transactions. Any such transaction could include, among other things, the transfer, sale or acquisition of significant assets, businesses or interests, including joint ventures, or the incurrence, assumption or refinancing of indebtedness, and could be material to the financial condition and results of operations of the Company. There is no assurance that any such discussions will result in the consummation of any such transaction. As discussed above, during the first quarter 2003 we used proceeds from our revolving credit agreement to acquire our corporate headquarters building, previously financed under a synthetic lease agreement. The sale or refinancing of the corporate headquarters building may result in the Company recognizing a loss on the sale of the property, as we believe the current fair market value may be less than the book value. Furthermore, the sale would result in the settlement of the related interest rate swap agreement, which would require an estimated current cash payment of approximately $4.0 million as of December 31, 2003.

Balance sheet, income or cash flow items to be considered in assessing liquidity. In assessing liquidity, the primary balance sheet, income or cash flow items to consider include negative changes in working capital related to significant increases in days sales outstanding and/or decreases in days payable. Other items to consider when assessing liquidity include net operating losses and large

Table of Contents

increases in capital expenditures, as each of the above items may result in an increase in cash requirements.

Sources of Cash.

Operations. Our primary capital resources are net cash provided by operating activities and proceeds from financing activities. Cash provided by operating activities was $59.0 million in 2003 compared to $113.9 million in 2002. Cash provided by operating activities in 2003 consists of a net loss of $30.5 million before adjustments for depreciation and amortization, deferred taxes on income, changes in working capital and the impairment of certain fixed assets. The effect of the change in working capital accounts and other assets and liabilities on the accompanying Consolidated Statements of Cash Flows between years of approximately $1.5 million is primarily the result of an increase in days sales outstanding from 49 days as of December 31, 2002 to 51 days as of December 31, 2003 offset by the increase in accounts payable and accrued expenses. The decrease in cash provided by operating activities is directly caused by the decrease in income from operations.

Cash provided by operating activities in 2002 was $113.9, consisting of a net loss of $19.9 million before adjustments for the cumulative effect of change in accounting principle, impairment loss, depreciation and amortization, bad debt, working capital, and other charges primarily related to restructurings. The effect of the change in working capital accounts on the accompanying Consolidated Statements of Cash Flows between 2001 and 2002 of approximately $27.8 million is primarily the result of improved accounts receivable collections. At December 31, 2002, accounts receivable decreased as a result of more aggressive collection procedures, with days sales outstanding decreasing from 65 days at December 31, 2001 to 49 days at year-end 2002.

Cash provided by operating activities was $103.6 million in 2001, and consists of a net loss of $5.6 million before adjustments for depreciation and amortization, bad debt, working capital, and other charges primarily related to restructurings and its equity investment in EHI. The change in cash flows from working capital between years of approximately $16.0 million is primarily the result of a decrease in accounts receivable, partially offset by a decrease in accounts payable and accrued expenses. Accounts receivable decreased as a result of more aggressive collection procedures, with our days sales outstanding decreasing from 73 days at December 31, 2000 to 65 days as December 31, 2001.

The amount and certainty of future cash flows depends primarily on our ability to operate profitably.

As explained in detail under Client Concentrations, income from operations is expected to decline in 2004 related to a decrease in revenue from a major North American Customer Care client. This will negatively impact our 2004 cash from operations by an estimated $23.0 million.

Financing. We currently have two existing debt instruments that provide, or have provided, cash from financing activities. These instruments include the Revolver and Senior Notes**.** Cash provided by financing activities in 2003 was $37.5 million and primarily related to drawing $39.0 million on the Revolver in the first quarter of 2003 to acquire of our corporate headquarters building as discussed above.

Cash used in financing activities in 2002 was $28.8 million, and primarily resulted from the stock repurchase program authorized by the Board of Directors for the purchase of up to $25 million of our common stock, which we completed during 2002.

Cash provided by financing activities in 2001 was $7.6 million, resulting primarily from $75.0 in proceeds received from the Senior Notes and proceeds from the exercise of stock options and employee stock purchases, offset by repaying the revolving line of credit then in place in the amount of $62.0 million and payments on long-term notes and capital lease obligations.

Our Revolver is with a syndicate of five banks. Under the terms of the Revolver, we may borrow up to $85.0 million with the ability to increase the borrowing limit by an additional $50.0 million, subject to lender approval, within three years from the October 2002 closing date of the Revolver. The Revolver matures on December 28, 2006, at which time a balloon payment for the principal amount is due; however, there is no penalty for early prepayment. The Revolver bears interest at a variable rate based on LIBOR. The interest rate will also vary based on our leverage ratios as defined in the agreement. At December 31, 2003, the interest rate was 3.15% per annum with $39.0 million drawn under the Revolver. The Revolver is guaranteed by all of our domestic subsidiaries and is secured by a majority of our domestic assets. A significant restrictive covenant under the Revolver requires us to maintain a minimum fixed charge coverage ratio as defined in the agreement. The Revolver also limits the amount of share repurchases and prohibits payment of cash dividends.

We also have $75.0 million of Senior Notes, of which $60.0 million have an interest rate of 8.75% per annum and $15.0

million have an interest rate of 9.15% per annum. Interest on the Senior Notes is payable semi-annually and $12.0 million of principal payments commence in October 2004 with final maturity in October 2011. A significant restrictive covenant under the Senior Notes requires us to maintain a minimum fixed charge coverage ratio as defined in the agreement. Additionally, in the event the Senior Notes were to be repaid in full prior to maturity, we would have to remit a make-whole payment as defined in the agreement to the holders of the Senior Notes. As of December 31, 2003, the make-whole payment is approximately $9.2 million.

The Revolver and the Senior Notes are both securitized with a majority of our domestic assets. In addition, the Revolver and Senior Notes each contain provisions whereby a default under either agreement results in a cross-default in the other agreement. Further, the Revolver and Senior Notes are subject to an inter-creditor agreement, which includes the allocation methodology by which the proceeds would be distributed to the Revolver lenders and Senior Notes lenders in the event of default, and subsequent liquidation.

At December 31, 2003, outstanding letters of credit totaled approximately $11.1 million, which primarily guarantees workers compensation and other insurance related obligations, and facility leases.

During 2003, Percepta paid $5.4 million in dividends to the minority interest partner in Percepta and $6.6 million to us. Assuming Percepta continues to operate profitably, we believe Percepta will continue to pay dividends in 2004 at approximately the same level as in 2003. As a result, the joint venture expects to pay up to $4.4 million to the minority interest partner during 2004 and $5.4 million to us.

Debt Instruments and Related Covenants

As a result of lower than anticipated financial performance in the first quarter 2004, we are currently forecasting we will be in violation of certain financial covenants in the Revolver and Senior Note agreements as of March 31, 2004. We are pursuing several alternatives to address the potential violation should we indeed not operate within the covenants, including obtaining waivers or amendments to the debt agreements, paying off all or a portion of the outstanding debt agreements and obtaining new financing.

Obtaining waivers or amendments to the existing debt agreements may result in amendment fees and higher annual interest expense, as well as additional or stricter financial covenants. There is no assurance we will successfully obtain waivers or amendments, or maintain compliance with financial covenants in the future.

In addition, paying off all or a portion of the outstanding debt may have a negative impact to current and future earnings resulting from owing a make-whole provision associated with the company s Senior Notes agreement, costs related to terminating the interest rate swap associated with the Revolver, both of which are described in more detail herein, and the write-off of $1.4 million of capitalized fees.

As of December 31, 2003, we have a derivative liability associated with this interest rate swap agreement of approximately $4.0 million, which is reflected in other liabilities in the accompanying Consolidated Balance Sheets. In the event we wanted to terminate the swap, the above mentioned liability would have to be settled with cash and a charge to operations recorded. Likewise, if we repay the associated Revolver balance or obtain new financing, the hedge may no longer be effective and a corresponding charge to operations would be recorded either immediately or over the remaining life of the Revolver.

In pursuing new debt alternatives, we may utilize various financing sources including fixed and floating rate debt, convertible debt, and/or an asset-backed loan. The amount financed will vary, based on whether we decide to pay a portion of the outstanding debt with existing cash. The specific terms of the new financing, including the applicable interest rate, length of agreement and other financing features, will be dependent upon the total amount financed and the creditors assessment of our ability to repay. There is no assurance that we can obtain new financing, or that new financing would not result in higher annual interest expense.

Table of Contents

CLIENT CONCENTRATIONS

Our five largest clients accounted for 50.6%, 52.2% and 45.0% of our revenue for the years ended December 31, 2003, 2002 and 2001, respectively. In addition, these five clients accounted for an even greater proportional share of our consolidated earnings. The profitability of these clients varies greatly based upon the specific contract terms with any particular client, and the relative contribution of any single client to consolidated earnings is not always proportional to the relative revenue contribution on a consolidated basis. The risk of this concentration is mitigated, in part, by the long-term contracts we have with our largest clients. The contracts with these clients expire between 2004 and 2010. Additionally, a particular client can have multiple contracts with different expiration dates. Although we have historically renewed most of our contracts with our largest customers, there is no assurance that future contracts will be renewed, or if renewed, will be on terms as favorable as the existing contracts.

Under the terms of the original contract with Verizon Communications (Verizon) relating to its Competitive Local Exchange Carrier (CLEC) business, there were certain minimum monthly volume commitments at pre-determined hourly billing rates (Minimum Commitments). As previously reported, when the CLEC work was redirected to other Verizon business units during 2001, Verizon continued to honor the contractual terms of its Minimum Commitments. While the terms negotiated by these business units were generally at lower hourly billing rates (Base Rates) than the Minimum Commitments, Verizon has continued to meet its financial obligations associated with the Minimum Commitments. In certain instances, the Base Rates exceed current market rates for similar services and upon contract expiration, if the contracts are renewed, we expect the rates we receive for our services in the future to be less than the Base Rates. In some instances, volume associated with new work is also offset against the Minimum Commitments. In addition, certain Minimum Commitments were bought out with cash and these settlement payments are being amortized over the life of such Minimum Commitments. The majority of the Minimum Commitments had been satisfied by December 31, 2003 with the remainder expected to expire in the first quarter of 2004. The amount of Minimum Commitments satisfied by Verizon in excess of the Base Rates, together with amortized settlement payments, was $31.5 million, $32.7 million and $27.8 million for the years ended December 31, 2003, 2002 and 2001, respectively. It is expected that this amount will decline to approximately $8.5 million in 2004 and $0 thereafter. These amounts will impact pre-tax earnings by a like amount. The anticipated decline will have an adverse affect on our operating results in 2004 unless we are successful in reducing costs and/or increasing revenue.

A large client in Spain informed the Company of its intention to issue a request for proposals upon contract expiration in the fourth quarter of 2003. This client accounts for 54% of Spain s revenue. We expect to retain the majority of the revenue from this client. The loss of a portion of this contract is expected to improve the Company s consolidated operations, financial position or cash flows due to improved operating margins.

NEW ACCOUNTING PRONOUNCEMENTS

In July 2003, the Company adopted SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, which establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. Certain elements, which would impact the Company, did not have a material impact.

Item 7A.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact the consolidated financial position, consolidated results of operations or consolidated cash flows of the Company due to adverse changes in financial and commodity market prices and rates. We are exposed to market risk in the areas of changes in U.S. interest rates, LIBOR and foreign currency exchange rates as measured against the U.S. dollar. These exposures are directly related to our normal operating and funding activities. As of December 31, 2003, we had entered into forward financial instruments to manage and reduce the impact of changes in the U.S./Canadian dollar exchange rates with several financial institutions to mitigate a portion of our foreign currency risk. We have also entered into an interest rate swap agreement to manage our cash flow risk on the portion of the Revolver used to purchase the corporate headquarters building as interest is variable based upon LIBOR.

Interest Rate Risk

The interest on the Revolver is variable based upon LIBOR and, therefore, affected by changes in market interest rates. At December 31, 2003, there was $39.0 million outstanding on the Revolver. If LIBOR increased 10%, there would be no impact to the Company due to the related interest rate swap as previously discussed.

Foreign Currency Risk

We have wholly owned subsidiaries in Argentina, Australia, Brazil, Canada, China, India, Korea, Malaysia, Mexico, New Zealand, Northern Ireland, the Philippines, Scotland, Singapore, and Spain. Revenue and expenses from these operations are denominated in local currency, thereby creating exposures to changes in exchange rates. The changes in the exchange rate may positively or negatively affect our revenue and net income attributed to these subsidiaries. For the years ended December 31, 2003, 2002 and 2001, revenue from non-U.S. countries represented 43.5%, 34.7% and 41.6% of consolidated revenue, respectively.

We have contracted with several commercial banks at no material cost, to acquire a total of $135.1 million Canadian dollars through October 2005 at a fixed price in U.S. dollars of $94.9 million. We have derivative assets of $9.0 million associated with foreign exchange contracts. If the U.S./Canadian dollar exchange rate were to increase 10% from period-end levels, we would not incur a material loss on the contracts.

A significant business strategy for our North American Customer Care segment is to provide service to U.S. based customers from Canadian CMCs in order to leverage the U.S./Canadian dollar exchange rates. During the year ended December 31, 2003, the Canadian dollar strengthened against the U.S. dollar by 18.2%. As a result, our costs remain constant in Canadian dollars, whereas our revenue (which is denominated in U.S. dollars) is increasing. While our hedging strategy can protect us from changes in the U.S./Canadian dollar exchange rates in the short-term for the majority of our risk, an overall strengthening of the Canadian dollar may adversely impact margins in the North American Customer Care segment over the long-term.

Other than the transactions hedged as discussed above, the majority of the transactions of our U.S. and foreign operations are denominated in the respective local currency while some transactions are denominated in other currencies. For example, the intercompany transactions that we expect to be settled are denominated in the local currency of the billing company. Since the accounting records of our foreign operations are kept in the respective local currency, any transactions denominated in other currencies are accounted for in the respective local currency at the time of the transaction. Upon settlement of such a transaction, any foreign currency gain or loss results in an adjustment to income. We do not currently engage in hedging activities related to these types of foreign currency risks because we believe them to be insignificant. When the deterioration of the U.S. dollar resulted in losses in the second quarter of 2003, we implemented procedures to shorten the time it takes to settle these transactions, therefore effectively minimizing the foreign currency losses. If realized losses on foreign transactions were to become significant, we would evaluate appropriate strategies, including the possible use of foreign exchange contracts, to reduce such losses.

Fair Value of Debt and Equity Securities

The Company did not have any material investments in debt or equity securities at December 31, 2003.

Table of Contents

Item 8. ***Financial Statements and Supplementary Data*.**

The financial statements required by this item are located beginning on page 46 of this report and incorporated herein by reference.

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

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

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

Table of Contents

Item 9A. ***Disclosure Controls and Procedures.***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the Commission s rules and forms, and that information is accumulated and communicated to our management, including our principal executive and principal financial officers (whom we refer to in this periodic report as our Certifying Officers), as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our Certifying Officers, the effectiveness of our disclosure controls and procedures as of December 31, 2003, pursuant to Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our Certifying Officers concluded that, as of December 31, 2003, our disclosure controls and procedures were effective.

We have completed a comprehensive review of our tax returns and tax-related balance sheet accounts. The review resulted in amendments to previously filed tax returns, principally to correct tax basis depreciation expense, record a liability for the estimated sales and use taxes for the Company s Database Management and Consulting segment, and adjustments to reconcile certain tax-related balance sheet accounts. In addition, we completed a comprehensive analysis of the Company s procedures for reconciling all other significant balance sheet accounts and identified adjustments to grants, bank accounts, health insurance accruals and payroll tax accounts that related to prior periods. Management believes that approximately $9.7 million, after taxes, of these adjustments relate to prior periods. The consolidated financial statements and selected financial data included in this amended Form 10-K have been restated to reflect these adjustments.

We believe we have strengthened our internal controls to ensure the integrity of our financial statements and appropriate detective controls are in place to prevent material misstatements of consolidated financial results and consolidated financial position. Additionally, we have instituted rigorous procedures for period-end analysis of balance sheet and income statement accounts, period-end reconciliations of subsidiary ledgers, and the recording of reconciling items in a timely manner. We also enhanced our accounting documentation policies.

There were no other changes in our internal control over financial reporting that occurred during our fiscal quarter ended December 31, 2003 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART III

Item 10. ***Directors and Executive Officers of the Registrant.***

For a discussion of our executive officers, you should refer to Part I, page 13, after Item 4 under the caption Executive Officers of TeleTech Holdings, Inc.

For a discussion of our Directors, you should refer to our definitive Proxy Statement for our 2004 Annual Meeting of Stockholders under the caption Election of Directors and Director Compensation, which we incorporate by reference into this Form 10-K.

Item 11. ***Executive Compensation***.

We hereby incorporate by reference the information to appear under the caption Executive Officers Executive Compensation in our definitive Proxy Statement for our 2004 Annual Meeting of Stockholders, provided, however, that neither the Report of the Compensation Committee on Executive Compensation nor the performance graph set forth therein shall be incorporated by reference herein.

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

We hereby incorporate by reference the information to appear under the caption Security Ownership of Certain Beneficial Owners and Management in our definitive Proxy Statement for our 2004 Annual Meeting of Stockholders.

Item 13. ***Certain Relationships and Related Party Transactions***.

We hereby incorporate by reference the information to appear under the caption Certain Relationships and Related Party Transactions in our definitive Proxy Statement for our 2004 Annual Meeting of Stockholders.

Item 14. ***Principal Accountants Fees and Services.***

We hereby incorporate by reference the information to appear under the caption Independent Audit Fees in our definitive Proxy Statement for our 2004 Annual Meeting of Stockholders.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K.***

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

(1) Consolidated Financial Statements

The Index to Financial Statements is set forth on page 46 of this report.

(2) Consolidated Financial Statement Schedules

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

Table of Contents

(3) Exhibits

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of TeleTech (incorporated by reference to Exhibit 3.1 to TeleTech s Amendment No. 2 to Form S-1 Registration Statement (Registration No. 333-04097) filed on July 5, 1996)
3.2	Amended and Restated Bylaws of TeleTech (incorporated by reference to Exhibit 3.2 to TeleTech s Amendment No. 2 to Form S-1 Registration Statement (Registration No. 333-04097) filed on July 5, 1996)
10.1+	TeleTech Holdings, Inc. Stock Plan, as amended and restated (incorporated by reference to Exhibit 10.7 to TeleTech s Amendment No. 2 to Form S-1 Registration Statement (Registration No. 333-04097) filed on July 5, 1996)
10.2+	TeleTech Holdings, Inc. Amended and Restated Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to TeleTech s Form S-8 Registration Statement (Registration No. 333-69668) filed on September 19, 2001)
10.3+	TeleTech Holdings, Inc. Amended and Restated 1999 Stock Option and Incentive Plan (incorporated by reference to Exhibit 99.1 to TeleTech s Form S-8 Registration Statement (Registration No. 333-96617) filed on July 17, 2002)
10.4+	Newgen Results Corporation 1996 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Newgen Results Corporation s Form S-1 Registration Statement (Registration No. 333-62703) filed on September 2, 1998)
10.5+	Newgen Results Corporation 1998 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to Newgen Results Corporation s Form S-1 Registration Statement (Registration No. 333-62703) filed on September 2, 1998)
10.6	Form of Client Services Agreement, 1996 version (incorporated by reference to Exhibit 10.12 to TeleTech s Amendment No. 1 to Form S-1 Registration Statement (Registration No. 333-04097) filed on June 5, 1996)
10.7	Agreement for Customer Interaction Center Management Between United Parcel General Services Co. and TeleTech (incorporated by reference to Exhibit 10.13 to TeleTech s Amendment No. 4 to Form S-1 Registration Statement (Registration No. 333-04097) filed on July 30, 1996)
10.8	Client Services Agreement dated May 1, 1997, between TeleTech Customer Care Management (Telecommunications), Inc. and GTE Card Services Incorporated d/b/a GTE Solutions (incorporated by reference to Exhibit 10.12 to TeleTech s Annual Report on Form 10-K filed for the fiscal year ended December 31, 1997)
10.9	Operating Agreement for Ford Tel II, LLC effective February 24, 2000 by and among Ford Motor Company and TeleTech Holdings, Inc. (incorporated by reference to Exhibit 10.25 to TeleTech s Quarterly Report on Form 10-Q filed for the fiscal quarter ended March 31, 2000)

10.10	Credit Agreement dated as of October 29, 2002 among TeleTech, Bank of America, N.A. and the other Lenders party thereto
10.11	Amended and Restated Lease and Deed of Trust Agreement dated June 22, 2000 (incorporated by reference to Exhibit 10.31 to TeleTech s Quarterly Report on Form 10-Q filed for the fiscal quarter ended June 30, 2000)
10.12	Amended and Restated Participation Agreement dated June 22, 2000 (incorporated by reference to Exhibit 10.32 to TeleTech s Quarterly Report on Form 10-Q filed for the fiscal quarter ended June 30, 2000)
10.13	Private Placement of Senior Notes pursuant to Note Purchase Agreement dated October 30, 2001 (incorporated by reference to Exhibit 10.73 to TeleTech s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.14+	Employment Agreement dated May 15, 2001 between James Kaufman and TeleTech (incorporated by reference to Exhibit 10.64 to TeleTech s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.15+	Stock Option Agreement dated August 16, 2000 between James Kaufman and TeleTech (incorporated by reference to Exhibit 10.53 to TeleTech s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.16+	Non-Qualified Stock Option Agreement dated October 27, 1999 between Michael E. Foss and TeleTech (incorporated by reference to Exhibit 10.26 to TeleTech s Quarterly Report on Form 10-Q filed for the fiscal quarter ended March 31, 2000)

Table of Contents

Exhibit No.	Description
10.17+	Promissory Note dated November 28, 2000 by Sean Erickson for the benefit of TeleTech (incorporated by reference to Exhibit 10.62 to TeleTech s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.18+	Promissory Note dated March 28, 2001 by Sean Erickson for the benefit of TeleTech
10.19+	Employment Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.66 to TeleTech s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.20+	Stock Option Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.70 to TeleTech s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.21+	Restricted Stock Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.71 to TeleTech s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.22+	Restricted Stock Agreement dated October 15, 2001 between James Barlett and TeleTech (incorporated by reference to Exhibit 10.72 to TeleTech s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.23+	Employment Agreement dated October 15, 2001 between Ken Tuchman and TeleTech (incorporated by reference to Exhibit 10.68 to TeleTech s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.24+	Stock Option Agreement dated October 1, 2001 between Ken Tuchman and TeleTech (incorporated by reference to Exhibit 10.69 to TeleTech s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2001)
10.25+	Letter Agreement dated January 11, 2001 between Chris Batson and TeleTech (incorporated by reference to Exhibit 10.54 to TeleTech s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.26+	Stock Option Agreement dated January 29, 2001 between Chris Batson and TeleTech (incorporated by reference to Exhibit 10.55 to TeleTech s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.27+	Letter Agreement dated January 26, 2001 between Jeffrey Sperber and TeleTech (incorporated by reference to Exhibit 10.56 to TeleTech s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.28+	Stock Option Agreement dated March 5, 2001 between Jeffrey Sperber and TeleTech (incorporated by reference to Exhibit 10.57 to TeleTech s Annual Report on Form 10-K filed for the fiscal year ended December 31, 2000)
10.29	

	First Amendment to Note Purchase Agreement dated as of February 1, 2003 by and among TeleTech Holdings, Inc. and each of the institutional investors party thereto
10.30	Second Amendment to Note Purchase Agreement dated as of August 1, 2003 by and among TeleTech Holdings, Inc. and each of the institutional investors party thereto
10.31	Third Amendment to Note Purchase Agreement dated as of September 30, 2003 by and among TeleTech Holdings, Inc. and each of the institutional investors party thereto
10.32	First Amendment to Credit Agreement dated as of February 10, 2003 by and among TeleTech Holdings, Inc., the Lenders party thereto and Bank of America, N.A., as administrative agent
10.33	Second Amendment to Credit Agreement dated as of June 30, 2003 by and among TeleTech Holdings, Inc., the Lenders party thereto and Bank of America, N.A., as administrative agent
10.34	Third Amendment to Credit Agreement dated as of October 24, 2003 by and among TeleTech Holdings, Inc., the Lenders party thereto and Bank of America, N.A., as administrative agent
10.35	Intercreditor and Collateral Agency Agreement dated as of October 24, 2003 among various creditors of TeleTech Holdings, Inc. and Bank of America, N.A. as collateral agent