TELETECH HOLDINGS INC
Form 10-Q
November 07, 2012
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from to

Commission File Number 001-11919

TeleTech Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**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

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 R No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes R No o

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

Large accelerated filer o	Accelerated filer R
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of November 1, 2012, there were 53,714,715 shares of the registrant s common stock outstanding.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2012 FORM 10-Q

TABLE OF CONTENTS

		Page No.
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements	
	Consolidated Balance Sheets as of September 30, 2012 (unaudited) and December 31, 2011	1
	Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2012 and 2011 (unaudited)	2
	Consolidated Statement of Equity as of and for the nine months ended September 30, 2012 (unaudited)	3
	Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011 (unaudited)	4
	Notes to the Unaudited Consolidated Financial Statements	5
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	40
Item 4.	Controls and Procedures	43
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	44
Item 1A.	Risk Factors	44
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	45
Item 6.	Exhibits	46
SIGNATURES		47
EXHIBIT INDEX		48

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Amounts in thousands, except share amounts)

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 170,377	$ 156,371
Accounts receivable, net	244,175	243,636
Prepaids and other current assets	60,323	37,434
Deferred tax assets, net	15,628	22,994
Income tax receivable	19,879	17,847
Total current assets	510,382	478,282
Long-term assets		
Property, plant and equipment, net	111,431	100,321
Goodwill	72,154	70,844
Contract acquisition costs, net	2,115	2,866
Deferred tax assets, net	34,823	32,512
Other long-term assets	74,699	62,153
Total long-term assets	295,222	268,696
Total assets	$ 805,604	$ 746,978
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 25,053	$ 27,555
Accrued employee compensation and benefits	69,586	71,500
Other accrued expenses	23,723	33,816
Income taxes payable	11,041	10,051
Deferred tax liabilities, net	1,995	912
Deferred revenue	22,766	15,895
Other current liabilities	7,404	10,282
Total current liabilities	161,568	170,011
Long-term liabilities		
Line of credit	88,000	64,000
Negative investment in deconsolidated subsidiary	76	76
Deferred tax liabilities, net	3,248	3,020
Deferred rent	8,565	6,729
Other long-term liabilities	45,228	32,895
Total long-term liabilities	145,117	106,720
Total liabilities	306,685	276,731
Commitments and contingencies (Note 10)		
Stockholders equity		
Preferred stock - $0.01 par value: 10,000,000 shares authorized; zero shares outstanding as of September 30, 2012 and December 31, 2011	-	-

Common stock - $0.01 par value; 150,000,000 shares authorized; 53,712,342 and 56,635,319 shares outstanding as of September 30, 2012 and December 31, 2011, respectively		537		566
Additional paid-in capital		349,131		350,386
Treasury stock at cost: 28,339,911 and 25,416,934 shares as of September 30, 2012 and December 31, 2011, respectively		(404,307)		(357,267)
Accumulated other comprehensive income (loss)		19,123		(5,474)
Retained earnings		520,409		470,776
Noncontrolling interest		14,026		11,260
Total stockholders equity		498,919		470,247
Total liabilities and stockholders equity	$	805,604	$	746,978

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2012	**2011**	**2012**	**2011**
Revenue	$ 286,268	$ 304,235	$ 867,720	$ 878,850
Operating expenses				
Cost of services (exclusive of depreciation and amortization presented separately below)	201,766	220,795	622,782	630,274
Selling, general and administrative	43,845	43,445	137,689	138,529
Depreciation and amortization	10,695	11,807	31,040	34,828
Restructuring charges, net	2,440	1,616	20,694	2,298
Impairment losses	161	-	2,958	230
Total operating expenses	258,907	277,663	815,163	806,159
Income from operations	27,361	26,572	52,557	72,691
Other income (expense)				
Interest income	780	896	2,235	2,282
Interest expense	(2,129)	(1,143)	(4,810)	(3,814)
Other income (expense), net	97	(386)	(227)	(647)
Total other income (expense)	(1,252)	(633)	(2,802)	(2,179)
Income before income taxes	26,109	25,939	49,755	70,512
Benefit (Provision) for income taxes	3,611	496	3,030	(9,482)
Net income	29,720	26,435	52,785	61,030
Net income attributable to noncontrolling interest	(1,291)	(1,064)	(3,152)	(2,969)
Net income attributable to TeleTech stockholders	$ 28,429	$ 25,371	$ 49,633	$ 58,061
Other comprehensive income (loss)				
Net income	$ 29,720	$ 26,435	$ 52,785	$ 61,030
Foreign currency translation adjustment	7,358	(16,612)	10,607	(9,731)
Derivative valuation, gross	7,260	(7,104)	21,650	(17,584)
Derivative valuation, tax effect	(2,906)	3,270	(8,480)	7,170
Other, net of tax	298	113	933	334
Total other comprehensive income (loss)	12,010	(20,333)	24,710	(19,811)
Total comprehensive income	41,730	6,102	77,495	41,219
Comprehensive income attributable to noncontrolling interest	(1,357)	(697)	(3,265)	(2,604)
Comprehensive income attributable to TeleTech stockholders	$ 40,373	$ 5,405	$ 74,230	$ 38,615
Weighted average shares outstanding				

Basic		54,093		56,476		55,233		56,790
Diluted		54,905		57,748		55,991		58,173
Net income per share attributable to TeleTech stockholders								
Basic	$	0.53	$	0.45	$	0.90	$	1.02
Diluted	$	0.52	$	0.44	$	0.89	$	1.00

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders Equity

(Amounts in thousands)

(Unaudited)

	Stockholders Equity of the Company									
							Accumulated			
						Additional	**Other**			
					Treasury	**Paid-in**	**Comprehensive**	**Retained**	**Noncontrolling**	**Total**
	Preferred Stock		**Common Stock**		**Stock**	**Capital**	**Income (Loss)**	**Earnings**	**interest**	**Equity**
	Shares	**Amount**	**Shares**	**Amount**						
Balance as of December 31, 2011	- $	-	56,635 $	566 $	(357,267)$	350,386 $	(5,474)$	470,776 $	11,260 $	470,247
Net income	-	-	-	-	-	-	-	49,633	3,152	52,785
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-	941	941
Dividends distributed to noncontrolling interest	-	-	-	-	-	-	-	-	(1,440)	(1,440)
Foreign currency translation adjustments	-	-	-	-	-	-	10,494	-	113	10,607
Derivatives valuation, net of tax	-	-	-	-	-	-	13,170	-	-	13,170
Vesting of restricted stock units	-	-	485	5	6,765	(10,802)	-	-	-	(4,032)
Exercise of stock options	-	-	98	1	1,371	(237)	-	-	-	1,135
Excess tax benefit from equity-based awards	-	-	-	-	-	(472)	-	-	-	(472)
Equity-based compensation expense	-	-	-	-	-	10,256	-	-	-	10,256
Purchases of common stock	-	-	(3,506)	(35)	(55,176)	-	-	-	-	(55,211)
Other	-	-	-	-	-	-	933	-	-	933
Balance as of September 30, 2012	- $	-	53,712 $	537 $	(404,307)$	349,131 $	19,123 $	520,409 $	14,026 $	498,919

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30, 2012	2011
Cash flows from operating activities		
Net income	$ 52,785	$ 61,030
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,040	34,828
Amortization of contract acquisition costs	763	1,448
Amortization of debt issuance costs	531	435
Imputed interest expense	600	649
Provision for doubtful accounts	490	301
Loss (gain) on disposal of assets	180	(351)
Impairment losses	2,958	230
Deferred income taxes	2,134	5,582
Excess tax benefit from equity-based awards	(1,005)	(5,276)
Equity-based compensation expense	10,310	11,563
(Gain) loss on foreign currency derivatives	(574)	966
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	1,091	(26,332)
Prepaids and other assets	(30,893)	(8,939)
Accounts payable and accrued expenses	(15,696)	(28,302)
Deferred revenue and other liabilities	8,697	(8,330)
Net cash provided by operating activities	63,411	39,502
Cash flows from investing activities		
Proceeds from grant for property, plant and equipment	110	2,197
Proceeds from sale of long-lived assets	450	-
Purchases of property, plant and equipment, net of acquisitions	(33,259)	(21,166)
Payment of contract acquisition costs	-	(738)
Acquisitions, net of cash acquired of $1,373 and $14, respectively	(4,809)	(45,787)
Net cash used in investing activities	(37,508)	(65,494)
Cash flows from financing activities		
Proceeds from line of credit	857,650	556,800
Payments on line of credit	(833,650)	(426,500)
Proceeds from other debt	8,014	-
Payments on other debt	(2,783)	(1,646)
Dividends distributed to noncontrolling interest	(1,440)	(2,783)
Proceeds from exercise of stock options	1,135	8,528
Excess tax benefit from equity-based awards	1,005	5,276
Purchase of treasury stock	(55,211)	(58,367)
Payments of debt issuance costs	(432)	(22)
Net cash (used in) provided by financing activities	(25,712)	81,286
Effect of exchange rate changes on cash and cash equivalents	13,815	(4,870)
Increase in cash and cash equivalents	14,006	50,424
Cash and cash equivalents, beginning of period	156,371	119,385
Cash and cash equivalents, end of period	$ 170,377	$ 169,809

Supplemental disclosures

Cash paid for interest	$	3,168	$	2,908
Cash paid for income taxes	$	13,213	$	16,710
Non-cash investing and financing activities				
Purchases of equipment through financing agreements	$	6,100	$	-
Landlord incentives credited to deferred rent	$	1,723	$	-

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(1) OVERVIEW AND BASIS OF PRESENTATION

Overview

TeleTech Holdings, Inc. and its subsidiaries (TeleTech or the Company) serve their clients through the primary businesses of Business Process Outsourcing (BPO), which includes data-driven strategic consulting and marketing services, customer management, and hosted and managed technologies, for a variety of industries via operations in the U.S., Argentina, Australia, Belgium, Brazil, Canada, China, Costa Rica, England, France, Germany, Ghana, Italy, Kuwait, Lebanon, Mexico, New Zealand, Northern Ireland, the Philippines, Scotland, South Africa, Spain, Turkey and the United Arab Emirates.

Basis of Presentation

The Consolidated Financial Statements are comprised of the accounts of TeleTech, its wholly owned subsidiaries, its 55% equity owned subsidiary Percepta, LLC, its 80% interest in Peppers & Rogers Group (PRG) and its 80% interest in iKnowtion, LLC which was acquired on February 27, 2012 (see Note 2 for additional information). All intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited Consolidated Financial Statements do not include all of the disclosures required by accounting principles generally accepted in the U.S. (GAAP), pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The unaudited Consolidated Financial Statements reflect all adjustments which, in the opinion of management, are necessary to present fairly the consolidated financial position of the Company as of September 30, 2012, and the consolidated results of operations and comprehensive income and cash flows of the Company for the three and nine months ended September 30, 2012 and 2011. Operating results for the nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

These unaudited Consolidated Financial Statements should be read in conjunction with the Company s audited Consolidated Financial Statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

Certain amounts for 2011 have been reclassified in the Consolidated Financial Statements to conform to the 2012 presentation.

Use of Estimates

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates including those related to derivatives and hedging activities, income taxes including the valuation allowance for deferred tax assets, self-insurance reserves, litigation reserves, restructuring reserves, allowance for doubtful accounts and valuation of goodwill, long-lived and intangible assets. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ materially from these estimates under different assumptions or conditions. In the three months ended June 30, 2012, the Company recorded a change in estimate which resulted in a decrease of $4.6 million to employee related expenses in connection with an authoritative ruling in Spain related to the legally required cost of living adjustment for our employees   salaries for the years 2010, 2011 and 2012.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Recently Issued Accounting Pronouncements

In May 2011, the FASB amended its guidance, to converge fair value measurement and disclosure guidance in U.S. GAAP with International Financial Reporting Standards (IFRS). IFRS is a comprehensive series of accounting standards published by the International Accounting Standards Board. The amendment changes the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The FASB does not intend for the amendment to result in a change in the application of the requirements in the current authoritative guidance. The amendment became effective prospectively for the Company s interim period ended March 31, 2012. The adoption of this guidance did not have a material impact on its financial position, results of operations or cash flows.

In June 2011, the FASB amended its guidance on the presentation of comprehensive income. Under the amended guidance, an entity has the option to present comprehensive income in either one or two consecutive financial statements. The Company decided to present a single statement showing the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income. The amendment became effective retrospectively for the Company s interim period ended March 31, 2012.

In December 2011, the FASB issued additional guidance related to the presentation of other comprehensive income. This guidance is intended to allow the FASB time to re-deliberate whether it is necessary to require entities to present the effects of reclassifications out of accumulated other comprehensive income in both the statement in which net income is presented and the statement in which other comprehensive income is presented. This guidance defers the effective date of only those provisions in the other comprehensive income guidance that relate to the presentation of reclassification adjustments out of other comprehensive income and reinstates the previous requirements to present reclassification adjustments either on the face of the statement in which other comprehensive income is reported or to disclose them in a note to the financial statements. The amendments in this new guidance became effective at the same time as the amendments in the other comprehensive income guidance explained above. The Company s adoption of this standard did not have a material impact on the Company s financial position, results of operations or cash flows.

In July 2012, the FASB issued new accounting guidance that simplifies the impairment test for indefinite-lived intangible assets other than goodwill. The new guidance gives the option to first assess qualitative factors to determine if it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative valuation test. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning on or after September 15, 2012. The Company will adopt this accounting guidance during the fourth quarter of 2012 and does not expect this adoption to have a material impact on the Company s financial position, results of operations or cash flows.

(2) ACQUISITIONS

OnState

On January 1, 2012, the Company entered into an asset purchase agreement with OnState Communications Corporation (OnState) to acquire 100% of its assets and assume certain of its liabilities for total cash consideration of $3.3 million. OnState provides hosted business process outsourcing solutions to a variety of small businesses. OnState was headquartered in Boston, MA with a minimal employee base.

As of the nine months ended September 30, 2012, the Company has paid $3.1 million of the purchase price. The remaining purchase price will be paid out once the potential for covered losses has expired per the purchase agreement, which is expected to be in 2013. The Company paid $0.1 million of acquisition related expenses as part of the OnState purchase. These costs were recorded in Selling, general and administrative expenses in the accompanying Consolidated Statements of Comprehensive Income during the nine months ended September 30, 2012.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

		Acquisition Date Fair Value
Cash	$	36
Accounts Receivable		68
Property, plant and equipment		33
Software		2,100
Goodwill		1,132
		3,369
Accounts payable		93
		93
Total purchase price	$	3,276

The software acquired will be amortized over four years once it is placed into service. The goodwill recognized from the OnState acquisition is primarily attributable to the synergies resulting from incorporating the acquired software into the Company s current technology platforms in addition to the acquisition of the employees who developed the acquired software. Since this acquisition is an asset acquisition for tax purposes, the goodwill of $1.1 million and software are deductible over their respective tax lives. The acquired goodwill of OnState is reported within the Customer Technology Services segment from the date of acquisition.

iKnowtion

On February 27, 2012, the Company acquired an 80% interest in iKnowtion, LLC (iKnowtion). iKnowtion integrates proven marketing analytics methodologies and business consulting capabilities to help clients improve their return on marketing expenditures in such areas as demand generation, share of wallet, and channel mix optimization. iKnowtion is located in Boston, MA and has approximately 40 employees.

The up-front cash consideration paid was $1.0 million. The Company was also obligated to pay a working capital adjustment equivalent to any acquired working capital from iKnowtion in excess of a working capital floor as defined in the purchase and sale agreement. The working capital adjustment was $0.2 million and was paid during the second quarter of 2012.

The Company is also obligated to make earn-out payments over the next four years if iKnowtion achieves specified earnings before interest, taxes, depreciation and amortization (EBITDA) targets, as defined by the purchase and sale agreement. The fair value of the contingent payments was measured based on significant inputs not observable in the market (Level 3 inputs). Key assumptions included in the fair value calculation include a discount rate of 21% and expected future value of payments of $4.3 million. The $4.3 million of expected future payments was calculated using a probability weighted EBITDA assessment with higher probability associated with iKnowtion achieving the maximum EBITDA targets. As of the acquisition date, the fair value of the contingent payments was approximately $2.9 million. As of September 30, 2012, the fair value of the contingent consideration was $3.4 million, of which $1.0 million and $2.4 million were included in Other accrued expenses and Other long-term liabilities in the accompanying Consolidated Balance Sheets, respectively.

The fair value of the 20% noncontrolling interest in iKnowtion at the date of acquisition was $0.9 million and was estimated based on a 20% interest of the fair value of 100% interest in iKnowtion and was discounted for a lack of control at a rate of 23.1%.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

In the event iKnowtion meets certain EBITDA targets for calendar year 2015, the purchase and sale agreement requires TeleTech to purchase the remaining 20% interest in iKnowtion in 2016 for an amount equal to a multiple of iKnowtions s 2015 EBITDA as defined in the purchase and sale agreement. These terms represent a contingent redemption feature. The fair value of the redemption feature is based on a comparison of EBITDA multiples and the EBITDA multiple to purchase the remaining 20% of iKnowtion approximates EBITDA multiples in the market for similar acquisitions.

The Company paid $0.1 million of acquisition related expenses as part of the iKnowtion purchase. These costs were recorded in Selling, general and administrative expenses in the accompanying Consolidated Statements of Comprehensive Income during the nine months ended September 30, 2012.

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

	Acquisition Date Fair Value	
Cash	$	1,337
Accounts Receivable		1,792
Property, plant and equipment		161
Other assets		90
Customer relationships		1,400
Goodwill		447
		5,227
Accounts payable		18
Accrued expenses		19
Other		164
		201
Noncontrolling interest		941
Total purchase price	$	4,085

The iKnowtion customer relationships have an estimated useful life of 5 years. The goodwill recognized from the iKnowtion acquisition was attributable primarily to the acquired workforce of iKnowtion, expected synergies, and other factors. The tax basis of the acquired intangibles and goodwill will be deductible for income tax purposes. The acquired goodwill and the operating results of iKnowtion are reported within the Customer Strategy Services segment from the date of acquisition.

eLoyalty

On May 28, 2011, the Company acquired certain assets and assumed certain liabilities of eLoyalty Corporation (eLoyalty) related to the Integrated Contract Solutions (ICS) business unit, and the eLoyalty trade name. The ICS business unit focuses on helping clients improve customer service business performance through the implementation of a variety of service centers. The ICS business unit generates revenue in three ways: (i) managed services that support and maintain clients customer service center environment over the long-term; (ii) consulting services that assist the customer in implementation and integration of a customer service center solution; and (iii) product resale through the sale of third party software and hardware. eLoyalty operates out of an office in Austin, TX with an additional administrative location in Chicago, IL and has approximately 160 employees.

The up-front cash consideration in the eLoyalty transaction was $40.9 million, subject to certain balance sheet adjustments of ($2.9) million as defined in the purchase and sale agreement, for a total purchase price of $38.0 million, all of which was paid by December 31, 2011.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

		Acquisition Date Fair Value
Cash	$	14
Accounts Receivable		7,702
Prepaid assets - cost deferrals		14,726
Property, plant and equipment		897
Other assets		869
Deferred tax asset		3,735
Customer relationships		11,700
Software		1,200
Noncompete agreements		900
Trade name		3,300
Consulting services backlog		500
Goodwill		18,516
		64,059
Accounts payable		2,156
Accrued expenses		1,211
Deferred revenue		22,525
Other		192
		26,084
Total purchase price	$	37,975

The customer relationship intangible asset is being amortized over 11 years. The goodwill recognized from the eLoyalty acquisition was attributable primarily to the assembled workforce of eLoyalty and significant opportunity for Company growth and marketing based on additional service offerings and capabilities. Since this acquisition has been treated as an asset acquisition for tax purposes, the goodwill of $18.5 million and associated intangible assets are deductible for income tax purposes. The operating results of eLoyalty are reported within the Customer Technology Services segment from the date of acquisition.

The three acquired businesses described above contributed revenues of $20.8 million and $64.0 million and income from operations of $1.1 million and $5.1 million to the Company for the three and nine months ended September 30, 2012.

Guidon

Subsequent to September 30, 2012, the Company acquired 100% of the stock of Guidon Performance Solutions (Guidon) parent company for $5.6 million subject to a customary working capital adjustment and earn-out payments tied to the 2013 and 2014 financial results of Guidon. Guidon provides operational consulting services and designs solutions for operational and cultural transformation for global clients. The Company paid $5.6 million upon closing. The operating results of Guidon will be reported within the Customer Strategy Services segment.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(3) SEGMENT INFORMATION

Effective January 1, 2012, the Company completed certain changes focused on streamlining the organization to more closely align the Company s reporting structure with its products and services and to increase management accountability. Beginning in the first quarter of 2012, the Company will now report the following four segments:

- the Customer Management Services segment includes the customer experience delivery solutions which integrate innovative technology with highly-trained customer experience professionals to optimize the customer experience across all channels and all stages of the customer lifecycle from an onshore, offshore or work-from-home environment;
- the Customer Growth Services segment includes the technology-enabled sales and marketing business;
- the Customer Technology Services segment includes the hosted and managed technology offerings, including certain acquired assets of eLoyalty; and
- the Customer Strategy Services segment includes the customer experience strategy and data analytics offerings.

The Company revised previously reported segment information to conform to its new segments in effect as of January 1, 2012.

All intercompany transactions between the reported segments for the periods presented have been eliminated.

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

Three Months Ended September 30, 2012

	Gross Revenue	Intersegment Sales	Net Revenue	Depreciation & Amortization	Income (Loss) from Operations
Customer Management Services	$ 224,041	$ -	$ 224,041	$ 5,667	$ 47,181
Customer Growth Services	28,200	-	28,200	862	5,818
Customer Technology Services	25,219	(2,876)	22,343	774	3,272
Customer Strategy Services	11,913	(229)	11,684	351	824

Total segments		289,373		(3,105)		286,268		7,654		57,095
Corporate		-		-		-		3,041		(29,734)
Total	$	289,373	$	(3,105)	$	286,268	$	10,695	$	27,361

Three Months Ended September 30, 2011

		Gross Revenue		Intersegment Sales		Net Revenue		Depreciation & Amortization		Income (Loss) from Operations
Customer Management Services	$	248,690	$	-	$	248,690	$	7,043	$	43,385
Customer Growth Services		25,793		-		25,793		695		5,020
Customer Technology Services		23,401		(525)		22,876		1,130		4,289
Customer Strategy Services		6,876		-		6,876		176		(322)
Total segments		304,760		(525)		304,235		9,044		52,372
Corporate		-		-		-		2,763		(25,800)
Total	$	304,760	$	(525)	$	304,235	$	11,807	$	26,572

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Nine Months Ended September 30, 2012

	Gross Revenue	Intersegment Sales	Net Revenue	Depreciation & Amortization	Income (Loss) from Operations
Customer Management Services	$ 688,317	$ -	$ 688,317	$ 17,697	$ 120,797
Customer Growth Services	75,373	-	75,373	2,059	11,108
Customer Technology Services	76,571	(3,719)	72,852	2,239	11,734
Customer Strategy Services	32,623	(1,445)	31,178	1,040	1,671
Total segments	872,884	(5,164)	867,720	23,035	145,310
Corporate	-	-	-	8,005	(92,753)
Total	$ 872,884	$ (5,164)	$ 867,720	$ 31,040	$ 52,577

Nine Months Ended September 30, 2011

	Gross Revenue	Intersegment Sales	Net Revenue	Depreciation & Amortization	Income (Loss) from Operations
Customer Management Services	$ 742,969	$ -	$ 742,969	$ 22,779	$ 141,223
Customer Growth Services	71,419	-	71,419	2,247	12,596
Customer Technology Services	39,718	(525)	39,193	1,647	10,158
Customer Strategy Services	25,269	-	25,269	783	1,450
Total segments	879,375	(525)	878,850	27,456	165,427
Corporate	-	-	-	7,372	(92,736)
Total	$ 879,375	$ (525)	$ 878,850	$ 34,828	$ 72,691

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Capital Expenditures				
Customer Management Services	$ 4,483	$ 4,236	$ 17,465	$ 11,315
Customer Growth Services	1,940	978	2,833	1,178
Customer Technology Services	842	1,027	1,543	1,142
Customer Strategy Services	113	88	197	226
Corporate	8,403	2,475	11,221	7,305
Total	$ 15,781	$ 8,804	$ 33,259	$ 21,166

	September 30, 2012	December 31, 2011
Total Assets		
Customer Management Services	$ 497,746	$ 479,818
Customer Growth Services	49,700	50,950
Customer Technology Services	89,212	70,745
Customer Strategy Services	49,840	42,882
Corporate	119,106	102,583
Total	$ 805,604	$ 746,978

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

	September 30, 2012	December 31, 2011
Goodwill		
Customer Management Services	$ 20,325	$ 20,594
Customer Growth Services	24,439	24,439
Customer Technology Services	19,648	18,516
Customer Strategy Services	7,742	7,295
Total	$ 72,154	$ 70,844

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue				
United States	$ 119,572	$ 110,122	$ 342,005	$ 288,935
Philippines	83,299	86,957	245,301	255,983
Latin America	47,914	51,188	142,069	159,852
Europe / Middle East / Africa	22,164	39,031	93,614	122,802
Canada	8,364	12,829	31,605	38,674
Asia Pacific	4,955	4,108	13,126	12,604
Total	$ 286,268	$ 304,235	$ 867,720	$ 878,850

(4) SIGNIFICANT CLIENTS AND OTHER CONCENTRATIONS

The Company did not have any clients that contributed in excess of 10% of total revenue for the three or nine months ended September 30, 2012 or 2011.

The loss of one or more of its significant clients could have a material adverse effect on the Company s business, operating results, or financial condition. The Company does not require collateral from its clients. To limit the Company s credit risk, management performs periodic credit evaluations of its clients and maintains allowances for uncollectible accounts and may require pre-payment for services. Although the Company is impacted by economic conditions in various industry segments, management does not believe significant credit risk existed as of September 30, 2012.

(5) GOODWILL

Goodwill consisted of the following (amounts in thousands):

	December 31, 2011	Acquisitions	Impairments	Effect of Foreign Currency	September 30, 2012
Customer Management Services	$ 20,594	$ -	$ -	$ (269)	$ 20,325
Customer Growth Services	24,439	-	-	-	24,439
Customer Technology Services	18,516	1,132	-	-	19,648
Customer Strategy Services	7,295	447	-	-	7,742
Total	$ 70,844	$ 1,579	$ -	$ (269)	$ 72,154

The Company performs a goodwill impairment test on at least an annual basis. The Company conducts its annual goodwill impairment test during the fourth quarter, or more frequently, if indicators of impairment exist. During the quarter ended September 30, 2012, the Company assessed whether any such indicators of impairment existed and concluded that there were none.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(6) DERIVATIVES

Cash Flow Hedges

The Company enters into foreign exchange and interest rate related derivatives. Foreign exchange derivatives entered into consist of forward and option contracts to reduce the Company s exposure to foreign currency exchange rate fluctuations that are associated with forecasted revenue earned in foreign locations. Interest rate derivatives consist of interest rate swaps to reduce the Company s exposure to interest rate fluctuations associated with its variable rate debt. Upon proper qualification, these contracts are designated as cash flow hedges. It is the Company s policy to only enter into derivative contracts with investment grade counterparty financial institutions, and correspondingly, the fair value of derivative assets consider, among other factors, the creditworthiness of these counterparties. Conversely, the fair value of derivative liabilities reflects the Company s creditworthiness. As of September 30, 2012, the Company has not experienced, nor does it anticipate, any issues related to derivative counterparty defaults. The following table summarizes the aggregate unrealized net gain or loss in Accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2012 and 2011 (amounts in thousands and net of tax):

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2012	**2011**	**2012**	**2011**
Aggregate unrealized net gain (loss) at beginning of period	$ 2,964	$ 511	$ (5,852)	$ 7,091
Add: Net gain/(loss) from change in fair value of cash flow hedges	4,945	(2,504)	14,040	(4,935)
Less: Net (gain)/loss reclassified to earnings from effective hedges	(591)	(1,330)	(870)	(5,479)
Aggregate unrealized net gain (loss) at end of period	$ 7,318	$ (3,323)	$ 7,318	$ (3,323)

The Company s foreign exchange cash flow hedging instruments as of September 30, 2012 and December 31, 2011 are summarized as follows (amounts in thousands). All hedging instruments are forward contracts unless noted otherwise.

As of September 30, 2012	**Local Currency Notional Amount**	**U.S. Dollar Notional Amount**	**% Maturing in the Next 12 Months**	**Contracts Maturing Through**
Canadian Dollar	11,500	$ 11,072	71.7 %	March 2014
Philippine Peso	9,290,000	210,767(1)	47.7 %	December 2015
Mexican Peso (Forwards)	1,166,500	83,721	40.9 %	December 2015

Mexican Peso (Collars)	35,075		3,000(3)	100.0 %	December 2012
British Pound Sterling	4,839		7,611(2)	57.5 %	June 2014
New Zealand Dollars	595		450	100.0 %	June 2013
		$	316,621		

As of December 31, 2011	Local Currency Notional Amount		U.S. Dollar Notional Amount
Canadian Dollar	25,750	$	25,137
Costa Rican Colon	2,000,000		3,874
Philippine Peso	13,304,000		301,361(1)
Mexican Peso (Forwards)	1,081,000		80,735
Mexican Peso (Collars)	140,298		12,000(4)
British Pound Sterling	8,808		13,822(2)
		$	436,929

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(1) Includes contracts to purchase Philippine pesos in exchange for New Zealand dollars and Australian dollars, which are translated into equivalent U.S. dollars on September 30, 2012 and December 31, 2011.

(2) Includes contracts to purchase British pound sterling in exchange for Euros, which are translated into equivalent U.S. dollars on September 30, 2012 and December 31, 2011.

(3) The Mexican peso collars include call options with a floor total of MXN 35.1 million and put options with a cap total of MXN (41.6 million) as of September 30, 2012.

(4) The Mexican peso collars include call options with a floor total of MXN 140.3 million and put options with a cap total of MXN (157.0 million) as of December 31, 2011.

The Company s interest rate swap arrangements as of September 30, 2012 and December 31, 2011 were as follows:

		Notional Amount (millions)	Variable Rate Received	Fixed Rate Paid		Contract Commencement Date	Contract Maturity Date
As of September 30, 2012	$	25.0	1 - month LIBOR	2.55	%	April 2012	April 2016
		15.0	1 - month LIBOR	3.14	%	May 2012	May 2017
	$	40.0					
As of December 31, 2011	$	25.0	1 - month LIBOR	2.55	%	April 2012	April 2016
		15.0	1 - month LIBOR	3.14	%	May 2012	May 2017
	$	40.0					

Fair Value Hedges

The Company enters into foreign exchange forward contracts to economically hedge against foreign currency exchange gains and losses on certain receivables and payables of the Company s foreign operations. Changes in the fair value of derivative instruments designated as fair value hedges are recognized in earnings in Other income (expense), net. As of September 30, 2012 and December 31, 2011 the total notional amount of the Company s forward contracts used as fair value hedges were $140.1 million and $49.8 million, respectively.

Embedded Derivatives

In addition to hedging activities, the Company s foreign subsidiary in Argentina was party to U.S. dollar denominated lease contracts which the Company determined contain embedded derivatives. As such, the Company bifurcated the embedded derivative features of the lease contracts and valued these features as foreign currency derivatives. As of September 30, 2012, the fair value of the embedded derivatives was $0.3 million and was included in Other current liabilities and Other long-term liabilities in the accompanying Consolidated Balance Sheets as shown in the table below.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Derivative Valuation and Settlements

The Company s derivatives as of September 30, 2012 and December 31, 2011 were as follows (amounts in thousands):

	September 30, 2012			
	Designated as Hedging Instruments		Not Designated as Hedging Instruments	
Derivative contracts:	Foreign Exchange	Interest Rate	Foreign Exchange	Leases
Derivative classification:	Cash Flow	Cash Flow	Fair Value	Embedded Derivative
Fair value and location of derivative in the Consolidated Balance Sheet:				
Prepaids and other current assets	$ 8,933	$ -	$ 272	$ -
Other long-term assets	6,975	-	-	-
Other current liabilities	(526)	(1,122)	(97)	(74)
Other long-term liabilities	(31)	(2,014)	-	(185)
Total fair value of derivatives, net	$ 15,351	$ (3,136)	$ 175	$ (259)

	December 31, 2011			
	Designated as Hedging Instruments		Not Designated as Hedging Instruments	
Derivative contracts:	Foreign Exchange	Interest Rate	Foreign Exchange	Leases
Derivative classification:	Cash Flow	Cash Flow	Fair Value	Embedded Derivative
Fair value and location of derivative in the Consolidated Balance Sheet:				
Prepaids and other current assets	$ 2,325	$ -	$ 12	$ -
Other long-term assets	1,119	-	-	-
Other current liabilities	(7,828)	-	(341)	-
Other long-term liabilities	(2,786)	(2,263)	-	-
Total fair value of derivatives, net	$ (7,170)	$ (2,263)	$ (329)	$ -

The effects of derivative instruments on the Consolidated Statements of Comprehensive Income for the three months ended September 30, 2012 and 2011 were as follows (amounts in thousands):

	Three Months Ended September 30,							
	2012				2011			
	Designated as Hedging Instruments				Designated as Hedging Instruments			
Derivative contracts:	Foreign Exchange		Interest Rate		Foreign Exchange		Interest Rate	
Derivative classification:	Cash Flow		Cash Flow		Cash Flow		Cash Flow	
Amount of gain or (loss) recognized in other comprehensive income - effective portion, net of tax:	$	5,331	$	(386)	$	(1,662)	$	(842)
Amount and location of net gain or (loss) reclassified from accumulated OCI to income - effective portion:								
Revenue	$	1,367	$	-	$	2,216	$	-
Interest expense	$	-	$	(381)	$	-	$	-

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

	Three Months Ended September 30,					
	2012			**2011**		
	Not Designated as Hedging Instruments			Not Designated as Hedging Instruments		
Derivative contracts:	Foreign Exchange		Leases	Foreign Exchange		Leases
Derivative classification:	Option and Forward Contracts	Fair Value	Embedded Derivative	Option and Forward Contracts	Fair Value	Embedded Derivative
Amount and location of net gain or (loss) recognized in the Consolidated Statement of Comprehensive Income:						
Costs of services	$ -	$ -	$ 7	$ -	$ -	$ 10
Other income (expense), net	$ -	$ 544	$ -	$ -	$ (1,189)	$ -

The effects of derivative instruments on the Consolidated Statements of Comprehensive Income for the nine months ended September 30, 2012 and 2011 were as follows (amounts in thousands):

	Nine Months Ended September 30,			
	2012		**2011**	
	Designated as Hedging Instruments		Designated as Hedging Instruments	
Derivative contracts:	Foreign Exchange	Interest Rate	Foreign Exchange	Interest Rate
Derivative classification:	Cash Flow	Cash Flow	Cash Flow	Cash Flow
Amount of gain or (loss) recognized in other comprehensive income - effective portion, net of tax:	$ 14,902	$ (862)	$ (3,765)	$ (1,170)
Amount and location of net gain or (loss) reclassified from accumulated OCI to income - effective portion:				
Revenue	$ 2,016	$ -	$ 9,131	$ -
Interest expense	$ -	$ (564)	$ -	$ -

	Nine Months Ended September 30,					
	2012			**2011**		
	Not Designated as Hedging Instruments			Not Designated as Hedging Instruments		
Derivative contracts:	Foreign Exchange		Leases	Foreign Exchange		Leases
Derivative classification:	Option and Forward Contracts	Fair Value	Embedded Derivative	Option and Forward Contracts	Fair Value	Embedded Derivative
Amount and location of net gain or (loss) recognized in the Consolidated Statement of Comprehensive Income:						
Costs of services	$ -	$ -	$ 259	$ -	$ -	$ 132
Other income (expense), net	$ -	$ 4,399	$ -	$ -	$ (686)	$ -

(7) FAIR VALUE

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

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, similar assets and liabilities in markets that are not active or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following presents information as of September 30, 2012 and December 31, 2011 for the Company s assets and liabilities required to be measured at fair value on a recurring basis, as well as the fair value hierarchy used to determine their fair value.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Debt - The Company s debt consists primarily of the Company s Credit Agreement, which permits floating-rate borrowings based upon the current Prime Rate or LIBOR plus a credit spread as determined by the Company s leverage ratio calculation (as defined in the Credit Agreement). As of September 30, 2012 and December 31, 2011, the Company had $88.0 million and $64.0 million, respectively, of borrowings outstanding under the Credit Agreement. During the three and nine months ended September 30, 2012 outstanding borrowings accrued interest at an average rate of 1.6% and 1.5% per annum, respectively, excluding unused commitment fees. The amounts recorded in the accompanying balance sheets approximate fair value due to the variable nature of the debt.

Derivatives - Net derivative assets (liabilities) are measured at fair value on a recurring basis. The portfolio is valued using models based on market observable inputs, including both forward and spot foreign exchange rates, interest rates, implied volatility, and counterparty credit risk, including the ability of each party to execute its obligations under the contract. As of September 30, 2012, credit risk did not materially change the fair value of the Company s derivative contracts.

The following is a summary of the Company s fair value measurements for its net derivative assets (liabilities) as of September 30, 2012 and December 31, 2011 (amounts in thousands):

As of September 30, 2012

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**At Fair Value**
Cash flow hedges	$ -	$ 15,351	$ -	$ 15,351
Interest rate swaps	-	(3,136)	-	(3,136)
Embedded derivatives	-	(259)	-	(259)
Fair value hedges	-	175	-	175
Total net derivative asset (liability)	$ -	$ 12,131	$ -	$ 12,131

As of December 31, 2011

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	At Fair Value
Cash flow hedges	$ -	$ (7,170)	$ -	$ (7,170)
Interest rate swaps	-	(2,263)	-	(2,263)
Fair value hedges	-	(329)	-	(329)
Total net derivative asset (liability)	$ -	$ (9,762)	$ -	$ (9,762)

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

The following is a summary of the Company s fair value measurements as of September 30, 2012 and December 31, 2011 (amounts in thousands):

As of September 30, 2012

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets			
Money market investments	$ -	$ 400	$ -
Derivative instruments, net	-	12,131	-
Total assets	$ -	$ 12,531	$ -
Liabilities			
Deferred compensation plan liability	$ -	$ (5,181)	$ -
Derivative instruments, net	-	-	-
Purchase price payable	-	-	(3,449)
Total liabilities	$ -	$ (5,181)	$ (3,449)

As of December 31, 2011

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets			
Money market investments	$ -	$ 507	$ -
Derivative instruments, net	-	-	-
Total assets	$ -	$ 507	$ -
Liabilities			
Deferred compensation plan liability	$ -	$ (3,990)	$ -
Derivative instruments, net	-	(9,762)	-
Purchase price payable	-	-	(4,985)
Total liabilities	$ -	$ (13,752)	$ (4,985)

Money Market Investments The Company invests in various well-diversified money market funds which are managed by financial institutions. These money market funds are not publicly traded, but have historically been highly liquid. The value of the money market funds are determined by the banks based upon the funds net asset values (NAV). All of the money market funds currently permit daily investments and redemptions at a $1.00 NAV.

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Purchase Price Payable The Company recorded a purchase price payable related to the acquisition of iKnowtion. The purchase price payable was recognized at fair value using a discounted cash flow approach and a discount rate of 21.0%. This measurement was based on significant inputs not observable in the market. The Company will record interest expense each period using the effective interest method until the future value of this purchase price payable reaches its expected future value of $4.3 million in 2016. Interest expense related to all recorded purchase price payables is included in Interest expense in the Consolidated Statements of Comprehensive Income.

The Company also had a future payable related to the purchase of PRG. As part of the PRG acquisition, the Company paid the previously recognized purchase price payable of $5.0 million on March 1, 2012. The Company recorded interest expense each period using the effective interest rate method until the payable reached the $5.0 million payment.

(8) INCOME TAXES

The Company accounts for income taxes in accordance with the accounting literature for income taxes, which requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the Consolidated Financial Statements. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using tax rates in effect for the year in which the differences are expected to reverse. Quarterly, the Company assesses the likelihood that its net deferred tax assets will be recovered. Based on the weight of all available evidence, both positive and negative, the Company records a valuation allowance against deferred tax assets when it is more-likely-than-not that a future tax benefit will not be realized.

On February 20, 2011, the Company received notice of an adverse decision by the Canadian Revenue Agency (CRA) in regards to the Company s attempt to recover taxes paid to Canada with respect to the years 2001 and 2002. In 2005, through the Competent Authority process, the Company sought relief under the United States-Canada Income Tax Convention for avoidance of double taxation arising from adjustments to the taxable income originally reported to these jurisdictions. Consistent with accounting for tax positions that no longer meet the recognition criteria, the Company derecognized income tax positions totaling $8.6 million through income tax expense in the first quarter of 2011. The Company continues to believe in the merits of the claim for which it sought relief from double taxation through the Competent Authority process. In response to the February 2011 notice, the Company has filed for Judicial Review in the Federal Court of Canada seeking a writ of mandamus to compel the CRA to accept the Company s application for Competent Authority consideration.

On July 31, 2012 the Company entered into a unilateral Advance Pricing Agreement (APA) with the Australian Tax Office (ATO) that covers the intercompany transfer price TeleTech Australia will pay affiliates operating in other tax jurisdictions for subcontracted services. The agreement will preclude the ATO from making a transfer pricing adjustment to transactions within the scope of this agreement. This agreement is effective for five years beginning January 1, 2011. During the period January 1, 2011 through June 30, 2012, TeleTech Australia recorded payments for services performed by affiliates outside Australia according to intercompany service agreements in effect at the time and subsequently measured the tax benefit related to these tax positions in accordance with accounting for income tax contingencies. As a result of this APA, the Company recognized a benefit of $3.0 million of which $2.0 million had been previously recorded as a contingency for the uncertain tax position. In addition, on September 28, 2012 the Company filed an amended 2010 income tax return in Australia to increase the payment for intercompany services due to the Philippines resulting in an additional tax refund and income tax benefit of $4.6 million. Although not specifically covered by the APA the 2010 adjustment to the income of TeleTech Australia was essentially pre-agreed through meetings with the Australian Tax Office making the likelihood of realizing this tax position highly certain . Finally, the Company is in the later stages of negotiating a unilateral APA with the New Zealand Inland Revenue office covering similar transactions and time periods. Although there can be no guarantee that such negotiations will result in an agreement, should such an agreement be signed, the Company would recognize an additional $0.6 million in tax benefit in the period the agreement is signed. This will likely occur in the fourth quarter.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

As of September 30, 2012, the Company had $62.8 million of gross deferred tax assets. After a $12.4 million valuation allowance and deferred tax liabilities of $5.2 million, the Company has $45.2 million of net deferred tax assets related to the U.S. and international tax jurisdictions whose recoverability is dependent upon future profitability.

The effective tax rate for the three and nine months ended September 30, 2012 was (13.8)% and (6.1)%, respectively. The effective tax rate during these periods was influenced by the distribution of earnings in international jurisdictions currently under an income tax holiday, the $2.6 million and $23.7 million in restructuring and impairment expenses and their related income tax benefit, the benefit related to Australia transfer pricing and the release of an uncertain tax position. The effective tax rate for the three and nine months ended September 30, 2011 was (1.9)% and 13.4%, respectively. The effective tax rate during these periods was influenced by the expense related to the adverse decision by the Canada Revenue Agency regarding the Company s request for relief from double taxation and benefited from the mediated settlement with the IRS related to U.S. tax refund claims, an estimate to the benefit related to transfer pricing terms between Australia and the Philippines, earnings in international jurisdictions currently under an income tax holiday, and the distribution of income between the U.S. and international tax jurisdictions.

During the third quarter of 2012, the 2008 Philippines audit is considered effectively settled resulting in release of the income tax contingency with no additional taxes assessed to the Company.

(9) RESTRUCTURING CHARGES AND IMPAIRMENT LOSSES

Restructuring Charges

During the three and nine months ended September 30, 2012 and 2011, the Company undertook a number of restructuring activities primarily associated with reductions in the Company s capacity and workforce in both the Customer Management Services and Customer Growth Services segments to better align the capacity and workforce with current business needs.

During the second quarter of 2012, the Company made the decision to cease operations in Spain and terminated the contracts with its clients. The Company notified the employees and commenced severance procedures as required under Spanish law. In connection with this decision, a severance liability was established as of June 30, 2012 for $13.9 million. During the third quarter of 2012, $11.9 million was paid and the remaining $2.0 million was included in Other accrued expenses in the Consolidated Balance Sheets as of September 30, 2012.

A summary of the expenses recorded in Restructuring, net in the accompanying Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2012 and 2011, respectively, is as follows (amounts in thousands):

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2012	**2011**	**2012**	**2011**
Reduction in force				
Customer Management Services	$ 2,620	$ 1,355	$ 20,072	$ 1,920
Customer Growth Services	67	11	202	121
Customer Technology Services	-	-	56	-
Customer Strategy Services	-	-	-	-
Corporate	58	185	570	185
Total	$ 2,745	$ 1,551	$ 20,900	$ 2,226

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Facility exit charges				
Customer Management Services	$ (305)	$ 65	$ (206)	$ 72
Customer Growth Services	-	-	-	-
Customer Technology Services	-	-	-	-
Customer Strategy Services	-	-	-	-
Corporate	-	-	-	-
Total	$ (305)	$ 65	$ (206)	$ 72

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

	Closure of Delivery Centers	Reduction in Force	Total
Balance as of December 31, 2011	$ 415	$ 1,652	$ 2,067
Expense	169	20,900	21,069
Payments	(209)	(17,635)	(17,844)
Reversals	(375)	-	(375)
Balance as of September 30, 2012	$ -	$ 4,917	$ 4,917

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

Impairment Losses

During each of the periods presented, the Company evaluated the recoverability of its leasehold improvement assets at certain delivery centers. An asset is considered to be impaired when the anticipated undiscounted future cash flows of an asset group are estimated to be less than the asset group s carrying value. The amount of impairment recognized is the difference between the carrying value of the asset group and its fair value. To determine fair value, the Company used Level 3 inputs in its discounted cash flows analysis. Assumptions included the amount and timing of estimated future cash flows and assumed discount rates. During the three and nine months ended September 30, 2012, the Company recognized $0.2 million and $1.2 million, respectively, of losses related to leasehold improvement assets in the Customer Management Services segment. During the three and nine months ended September 30, 2011, the Company recognized zero and $0.2 million, respectively, of losses related to leasehold improvement assets in the Customer Management Services segment.

During the first quarter of 2012, the Company elected to rebrand the Direct Alliance Corporation (DAC) subsidiary to Revana . Based on this decision and management s intention not to use the DAC name on a go-forward basis, the future cash flows associated with the trade name indefinite-lived intangible asset that was established as part of the purchase price accounting of DAC in 2006 was less than the asset s carrying value. Thus the $1.8 million asset was impaired as of March 31, 2012. This expense was included in the Impairment losses in the Consolidated Statements of Comprehensive Income.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(10) COMMITMENTS AND CONTINGENCIES

Credit Facility

On October 1, 2010, the Company entered into a five-year, $350.0 million revolving line of credit agreement (the Credit Agreement) with a syndicate of lenders led by KeyBank National Association, Wells Fargo Bank, National Association, Bank of America, N.A., BBVA Compass, and JPMorgan Chase Bank, N.A. On March 27, 2012, the Company amended the Credit Agreement by increasing the aggregate commitment by $150.0 million to $500.0 million and revising certain definitions.

The Company primarily utilizes its Credit Agreement to fund working capital, general operations, stock repurchases and other strategic activities, such as the acquisitions described in Note 2. As of September 30, 2012 and December 31, 2011, the Company had borrowings of $88.0 million and $64.0 million, respectively, under our Credit Agreement, and our average daily utilization was $144.4 million and $104.7 million for the nine months ended September 30, 2012 and 2011, respectively. After consideration for issued letters of credit under the Credit Agreement, totaling $4.4 million, our remaining borrowing capacity was $407.6 million as of September 30, 2012. As of September 30, 2012, the Company was in compliance with all covenants and conditions under its Credit Agreement.

Letters of Credit

As of September 30, 2012, outstanding letters of credit under the Credit Agreement totaled $4.4 million and primarily guaranteed workers compensation and other insurance related obligations. As of September 30, 2012, letters of credit and contract performance guarantees issued outside of the Credit Agreement totaled $1.3 million.

Guarantees

Indebtedness under the Credit Agreement is guaranteed by certain of the Company s present and future domestic subsidiaries.

Legal Proceedings

From time to time, the Company has been involved in claims and lawsuits, both as plaintiff and defendant, which arise in the ordinary course of business. Accruals for claims or lawsuits have been provided for to the extent that losses are deemed both probable and estimable. Although the ultimate outcome of these claims or lawsuits cannot be ascertained, on the basis of present information and advice received from counsel, the Company believes that the disposition or ultimate resolution of such claims or lawsuits will not have a material adverse effect on its financial position, cash flows or results of operations.

In 2009, the municipality of Sao Paolo, Brazil assessed the Company s Brazilian subsidiary a services tax on certain equipment rental income earned in 2004 and 2005. In March 2011, the Company s Brazilian subsidiary filed a tax annulment action in the Sao Paolo municipal court to challenge the assessment of services taxes on rental income. Further, in order to halt the possibility of any further interest being charged against the alleged due tax assessments, the Company s Brazilian subsidiary gave a bank guarantee of 6.9 million Brazilian reais (approximately $4.1 million USD) in the first quarter of 2012. In the second quarter of 2012, the Sao Paolo municipal court issued a ruling in favor of Sao Paolo on this tax annulment action, which ruling the Company s Brazilian subsidiary has challenged. The Company s Brazilian subsidiary filed this challenge in the state court of Sao Paolo which is not bound by the decision of the Sao Paolo municipal court and where a ruling is not expected for the next one to two years. Based on an opinion received from legal counsel in Brazil, the Company believes that (i) the ruling issued by the Sao Paolo municipal court was incorrect and in contravention of a Brazil Supreme Court ruling concerning the invalidity of services taxes on rental income, (ii) the Brazilian subsidiary has valid defenses against the assessed services taxes and (iii) that payment of these services taxes is not probable. Accordingly, the Company has not recorded an expense in the nine months ended September 30, 2012 for the Sao Paolo services tax assessment.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

On October 12, 2012, David Calkins filed an amended class action complaint in the Superior Court of the State of California, County of Santa Clara, against TeleTech Services Corp. and Google Inc. (Google), as co-defendants. The action alleges that the defendants violated California Penal Code Section 632 by recording telephone calls made on behalf of Google to residents in California without disclosing that the calls might be recorded. The plaintiff seeks class certification, cash statutory damages and attorney fees. Pursuant to our agreement with Google, Google has made a claim for full indemnification from the Company for all expenses incurred by Google in connection with the lawsuit. The ultimate outcome of this litigation, and consequently, an estimate of the possible loss, if any, related to this litigation, cannot reasonably be determined at this time. The Company intends to vigorously defend itself in these proceedings.

(11) NONCONTROLLING INTEREST

The following table reconciles equity attributable to noncontrolling interest (amounts in thousands):

	Nine Months Ended September 30,			
	2012		2011	
Noncontrolling interest, January 1	$	11,260	$	11,092
Acquisition of noncontrolling interest		941		-
Net income attributable to noncontrolling interest		3,152		2,969
Dividends distributed to noncontrolling interest		(1,440)		(2,783)
Foreign currency translation adjustments		113		(365)
Noncontrolling interest, September 30	$	14,026	$	10,913

(12) NET INCOME PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Shares used in basic earnings per share calculation	54,093	56,476	55,233	56,790
Effect of dilutive securities:				
Stock options	377	673	378	817
Restricted stock units	435	599	380	566
Performance-based restricted stock units	-	-	-	-
Total effects of dilutive securities	812	1,272	758	1,383

Shares used in dilutive earnings per share calculation	54,905	57,748	55,991	58,173

For the three months ended September 30, 2012 and 2011, options to purchase 0.1 million and 0.1 million shares of common stock, respectively, were outstanding, but not included in the computation of diluted net income per share because the exercise price exceeded the value of the shares and the effect would have been anti dilutive. For the nine months ended September 30, 2012 and 2011, options to purchase 0.1 million and 0.1 million shares of common stock, respectively, were outstanding, but not included in the computation of diluted net income per share because the effect would have been anti-dilutive. For the three months ended September 30, 2012 and 2011, restricted stock units (RSUs) of 0.7 million and 1.1 million, respectively, were outstanding, but not included in the computation of diluted net income per share because the effect would have been anti-dilutive. For the nine months ended September 30, 2012 and 2011, RSUs of 0.8 million and 0.6 million, respectively, were outstanding, but not included in the computation of diluted net income per share because the effect would have been anti-dilutive.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(13) EQUITY-BASED COMPENSATION PLANS

All equity based awards to employees are recognized in the Consolidated Statements of Comprehensive Income at the fair value of the award on the grant date. During the three and nine months ended September 30, 2012 and 2011, the Company recognized total compensation expense of $3.4 million and $10.3 million and $3.8 million and $11.5 million, respectively. Of the total compensation expense, $0.5 million and $1.5 million was recognized in Cost of services and $2.9 million and $8.8 million was recognized in Selling, general and administrative during the three and nine months ended September 30, 2012. During the three and nine months ended September 30, 2011, the Company recognized total compensation expense of $3.8 million and $11.5 million, respectively, in Selling, general and administrative.

Stock Options

As of September 30, 2012, there was approximately $0.9 million of total unrecognized compensation cost (including the impact of expected forfeitures) related to unvested option arrangements granted under the Company s equity plans. The Company recognizes compensation expense straight line over the vesting term of the option grant. The Company recognized compensation expense related to stock options of approximately $132,000 and $2,600 for the three months ended September 30, 2012 and 2011, respectively. The Company recognized compensation expense related to stock options of approximately $397,000 and $21,000 for the nine months ended September 30, 2012 and 2011, respectively.

Restricted Stock Unit Grants

During the nine months ended September 30, 2012 and 2011, the Company granted 519,262 and 611,580 restricted stock units (RSUs), respectively, to new and existing employees, which vest in equal installments over four or five years. The Company recognized compensation expense related to RSUs of $3.3 million and $9.9 million for the three and nine months ended September 30, 2012, respectively. The Company recognized compensation expense related to RSUs of $3.8 million and $11.5 million for the three and nine months ended September 30, 2011, respectively. As of September 30, 2012, there was approximately $28.4 million of total unrecognized compensation cost (including the impact of expected forfeitures) related to RSUs granted under the Company s equity plans.

As of September 30, 2012 and 2011, the Company had performance-based RSUs outstanding that vest based on the Company achieving specified revenue and operating income performance targets. The Company determined that it was not probable these performance targets would be met; therefore no expense was recognized for the three and nine months ended September 30, 2012 or 2011.

Table of Contents

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

Introduction

The following discussion and analysis should be read in conjunction with our Annual Report on Form 10 K for the year ended December 31, 2011. Except for historical information, the discussion below contains certain forward looking statements that involve risks and uncertainties. The projections and statements contained in these forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward looking statements.

All statements not based on historical fact are forward looking statements that involve substantial risks and uncertainties. In accordance with the Private Securities Litigation Reform Act of 1995, the following are important factors that could cause our actual results to differ materially from those expressed or implied by such forward looking statements, including but not limited to the following: achieving estimated revenue from new, renewed and expanded client business as volumes may not materialize as forecasted, especially due to the global economic slowdown; the ability to close and ramp new business opportunities that are currently being pursued or that are in the final stages with existing and/or potential clients; our ability to execute our growth plans, including the successful integration of acquired companies and the sales of new products; the possibility of lower revenue or price pressure from our clients experiencing a business downturn or merger in their business; greater than anticipated competition in the customer management industry, causing adverse pricing and more stringent contractual terms; risks associated with losing or not renewing client relationships, particularly large client agreements, or early termination of a client agreement; the risk of losing clients due to consolidation in the industries we serve; consumers concerns or adverse publicity regarding our clients products; our ability to find cost effective locations, obtain favorable lease terms and build or retrofit facilities in a timely and economic manner; risks associated with business interruption due to weather, fires, pandemic, or terrorist related events; risks associated with attracting and retaining cost effective labor at our delivery centers; the possibility of asset impairments and restructuring charges; risks associated with changes in foreign currency exchange rates; economic or political changes affecting the countries in which we operate; changes in accounting policies and practices promulgated by standard setting bodies; and new legislation or government regulation that adversely impacts our tax obligations, health care costs or the customer management industry.

This list is intended to identify some of the principal factors that could cause actual results to differ materially from those described in the forward-looking statements included elsewhere in this report. These factors are not intended to represent a complete list of all risks and uncertainties inherent in our business and should be read in conjunction with the more detailed cautionary statements included in our 2011 Annual Report on Form 10-K under the caption Item 1A. Risk Factors, in our other Securities and Exchange Commission filings and in our press releases.

Executive Summary

TeleTech is one of the largest and most geographically diverse global providers of customer experience strategy, technology and business process outsourcing solutions. We have a 30-year history of designing, building, implementing and managing superior customer experiences across the customer lifecycle in order to maximize revenue, increase brand loyalty and optimize business processes. By delivering a high-quality customer experience through the effective integration of customer-facing, front-office processes with internal back-office processes, we enable our clients to better serve, grow and retain their customer base. We support more than 425 unique programs for approximately 190 global clients, many of whom are included in the Global 1000, which are the world s largest companies based on market capitalization, in the automotive, broadband, cable, financial services, government, healthcare, logistics, media and entertainment, retail, technology, travel, and wireline and wireless communication industries.

Table of Contents

Our fully integrated suite of technology-enabled customer-centric services span:

- *Professional Services.* Leveraging our proprietary, data-driven methodology, our team of management consultants partner with clients to build the business case and design the roadmap for implementing a customer-centric business strategy. We utilize highly sophisticated customer analytics to create technology-enabled, multi-channel interaction strategies to optimize and personalize the customer experience, increase brand loyalty and help clients achieve their business and financial objectives.

- *Revenue Generation.* Through our data-driven sales and marketing capabilities we help our clients improve revenue and profitability by targeting new or underpenetrated markets and maximizing the revenue potential of each customer. We deliver over $2 billion in client revenue annually through our Revana Analytic Multichannel PlatformTM. We engage millions of customers on five continents on behalf of our clients through a variety of intelligently coordinated touchpoints including: mobile, chat, online, email and voice.

- *Customer Innovation Solutions.* We redesign and manage clients   front-office processes to deliver just-in-time, personalized, multi-channel customer experiences. Leveraging our highly trained customer experience professionals within our onshore and offshore delivery centers as well as our TeleTech@Home work-from-home associates, our solutions integrate voice, chat, e-mail, ecommerce and social media to optimize the customer experience for our clients.

- *Enterprise Innovation Solutions.* We redesign and manage clients   back-office processes, such as administration, finance, accounting, logistics and distribution, to significantly advance clients   abilities to obtain a customer-centric view of their relationships, and maximize operating efficiencies. Our delivery of integrated business processes via on our onshore, offshore or work-from-home customer experience professionals reduces operating costs and allows customer needs to be met more quickly and efficiently, resulting in higher customer satisfaction and brand loyalty and an improved competitive position.

- *Managed Technology Solutions.* We offer software and infrastructure as a service on a fully hosted basis. In addition, we provide the design, implementation and ongoing management of clients   premise-based delivery center environments to enable companies to deliver a superior customer experience across all touch points on a global scale with higher quality, lower costs and reduced risk.

- *Learning Innovation Training Solutions*. We offer workforce training services via a blended methodology which includes virtual job-simulation environments, eLearning courses, interactive social media networking and collaboration, as well as intuitive 3D and game-based learning courses to increase speed to proficiency, improve employee engagement and retention while also lowering training expenses.

- *Data Analytics*. We offer and underpin all of the above solutions with a robust data analytics capability to provide real time and actionable customer insight regarding how to grow revenue, reduce customer churn, and maximize operating efficiencies.

In 2012, our third quarter revenue decreased 5.9% to $286.3 million over the third quarter of 2011, which included an $4.5 million or 1.5% decrease due to fluctuations in foreign currency rates. This revenue decrease was partially offset by the addition of 43 new clients and revenue from acquisitions. Our third quarter 2012 income from operations increased 3.0% to $27.4 million, or 9.6% of revenue, from $26.6 million, or 8.7% of revenue, in the third quarter of 2011. Income from operations for the third quarter 2012 and 2011 included an aggregate $2.6 million and $1.6 million of expenses related to restructuring charges and asset impairments, respectively.

Our offshore delivery centers serve clients based both in the U.S. and in other countries. Our offshore delivery capacity spans five countries with 18,700 workstations and currently represents 67% of our global delivery capabilities. Revenue from services provided in these offshore locations was $122 million and represented 48% of our revenue for the third quarter of 2012, as compared to $131 million and 47% of total revenue for 2011, with both years excluding revenue from the four acquisitions.

Our cash flow from operations and available credit allowed us to finance a significant portion of our capital needs and stock repurchases through internally generated cash flows. At September 30, 2012, we had $170.4 million of cash and cash equivalents and a total debt to total capitalization ratio of 16.8%.

Our Future Growth Goals and Strategy

Our objective is to become the world s largest, most technologically advanced and innovative provider of customer-centric customer experience solutions. Companies within the Global 1000 are our primary client targets due to their size, global reach, and desire for a partner who can quickly and efficiently offer an end-to-end suite of fully-integrated, globally scalable solutions. We have developed, and continue to invest in, a broad set of technological and geographical capabilities designed to serve this growing client need. These investments include our 2010 acquisition of a majority interest in Peppers & Rogers Group to further enhance our professional services capabilities, our 2011 acquisition of eLoyalty to enhance our systems integration and telephony and technology offerings, our 2012 acquisition of OnState to enhance our technology hosting solutions, and our 2012 acquisition of iKnowtion to enhance our marketing and data analytics consulting capabilities. In addition, we have begun to offer cloud-based hosted services where clients can license any aspect of our global network and proprietary applications. While the revenue from these offerings is small relative to our consolidated revenue, we believe it will continue to grow as these services become more widely adopted by our clients. We aim to further improve our competitive position by investing in a growing suite of new and innovative business process services across our targeted industries.

We believe that our revenue will grow over the long-term as global demand for our services is fueled by the following trends:

- *Increased focus on the customer experience.* Given the strong correlation between customer satisfaction and improved profitability, we believe that more companies are increasingly focused on selecting outsourcing partners, such as TeleTech, that can deliver strategic solutions across a continuum of capabilities that are designed to grow revenue and optimize the customer experience versus merely reduce costs.

- *Focus on partners who can offer multi-channel, technology-rich customer experience solutions*. The rapidly changing profile of the customer and rising customer expectations are driving increased demand for personalized and seamlessly integrated multi-channel solutions that incorporate mobile devices, self-service and human-assisted channels while embedding data-driven customer insights.

- *Focus on partners who can offer fully integrated revenue generation solutions.* A focus on partners who can offer fully integrated revenue generation solutions to maximize the revenue and profitability potential of each customer, improve customer acquisition, retention and growth and target new or underpenetrated markets.

- *Integration of front- and back-office business processes to provide increased operating efficiencies and an enhanced customer experience especially in light of the weakening global economic environment.* Companies have realized that integrated business processes reduce operating costs and allow customer needs to be met more quickly and efficiently resulting in higher customer satisfaction and brand loyalty thereby improving their competitive position. A majority of our historic revenue has been derived from providing customer-facing front-office solutions to our clients. Given that our global delivery centers are also fully capable of providing back-office solutions, we are uniquely positioned to grow our revenue by winning more back-office opportunities and providing services during non-peak hours with minimal incremental investment. Furthermore, by spreading our fixed costs across a larger revenue base and increasing our asset utilization, we expect our profitability to improve over time.

- *Increasing percentage of company operations being outsourced to most capable third-party partners.* Having experienced success with outsourcing a portion of their business processes, companies are increasingly inclined to outsource a larger percentage of this work. We believe companies will continue to consolidate their business processes with third-party partners, such as TeleTech, who are financially stable and able to invest in their business while also demonstrating an extensive global operating history and an ability to cost effectively scale to meet their evolving needs.

- *Increasing adoption of outsourcing across broader groups of industries.* Early adopters of the business process outsourcing trend, such as the media and communications industries, are being joined by companies in other industries, including healthcare, retail and financial services. These companies are beginning to adopt outsourcing to improve their business processes and competitiveness. For example, we see increasing interest in our services from companies in the healthcare, retail and financial services industries. We believe the number of other industries that will adopt or increase their level of outsourcing will continue to grow, further enabling us to increase and diversify our revenue and client base.

- *Focus on speed-to-market by companies launching new products or entering new geographic locations*. As companies broaden their product offerings and seek to enter new emerging markets, they are looking for outsourcing partners that can provide speed-to-market while reducing their capital and operating risk. To achieve these benefits, companies are seeking BPO partners with an extensive operating history, an established global footprint, the financial strength to invest in innovation to deliver more strategic capabilities and the ability to scale and meet customer demands quickly. Given our financial stability, geographic presence in 24 countries and our significant investment in standardized technology and processes, we believe that clients select TeleTech because we can quickly ramp large, complex business processes around the globe in a short period of time while assuring a high-quality experience for their customers.

Table of Contents

Our business strategy to grow and diversify our revenue, increase profitability and strengthen our industry position includes the following elements:

- Capitalize on the favorable trends in the global outsourcing environment, which we believe will include more companies that want to:
  - Modify their approach to outsourcing based on total value delivered versus the lowest priced provider;
  - Seek a partner that can deliver strategic consulting and operational execution around customer-centric strategies;
  - Focus on partners who can offer fully integrated revenue generation solutions;
  - Address the growing complexity of managing multiple customer communication channels, including voice, self service, email, chat and text;
  - Take advantage of cost efficiencies through the adoption of cloud-based or managed technology solutions; and
  - Consolidate outsourcing partners with those that have a solid financial position, adequate capital resources to sustain a long-term relationship and globally diverse delivery capabilities across a broad range of solutions.
- Deepen and broaden existing client relationships;
- Continue to diversify revenue into higher-margin offerings such as professional services, data analytics, revenue generation, talent acquisition, learning innovation services and our managed technology offerings;
- Win business with new clients and focus on end-to-end offerings in targeted industries, such as healthcare, retail and financial services, where we expect accelerating adoption of customer experience management;
- Continue to invest in innovative proprietary technology and new business offerings;
- Improve our operating margins through select profit improvement initiatives;
- Increase asset utilization of our globally diverse delivery centers by providing services during non-peak hours with minimal incremental investment;
- Scale our work-from-home offering to increase operational flexibility; and
- Selectively pursue acquisitions that extend our capabilities, geographic reach and/or industry expertise.

As we further develop and continue to scale our strategic business units, we are continually evaluating ways to maximize stockholder value, which may include the disposition of business units, in whole or in part, that could take the form of asset sales, mergers, sales of equity interests in our subsidiaries (privately or through a public offering) or the spin-off of equity interests of our subsidiaries to our stockholders.

Table of Contents

Business Overview

Our business provides customer experience strategy, technology and business process outsourcing solutions for a variety of industries through our global delivery centers. Effective January 1, 2012, we completed certain changes focused on streamlining our organization to more closely align our reporting structure with our products and services and increase management accountability. Beginning in the first quarter of 2012, the Customer Management Services segment includes our customer experience delivery solutions which integrate innovative technology with highly-trained customer experience professionals to optimize the customer experience across all channels and all stages of the customer lifecycle from an onshore, offshore or work-from-home environment; the Customer Growth Services segment includes our technology-enabled sales and marketing business; the Customer Technology Services segment includes our hosted and managed technology offerings, including certain acquired assets of eLoyalty; and our Customer Strategy Services segment includes our customer experience strategy and data analytics offerings.

See Note 3 to the Notes to Consolidated Financial Statements for additional discussion regarding the preparation of our segment information.

Our Company generates revenue based primarily on the amount of time our associates or consultants devote to a client s program. We primarily focus on large global corporations in the following industries: automotive, broadband, cable, financial services, government, healthcare, logistics, media and entertainment, retail, technology, travel, and wireline and wireless telecommunications. Revenue is recognized as services are provided. The majority of our revenue is from multi-year contracts and we expect this trend to continue. However, we do provide certain client programs on a short-term basis.

We have historically experienced annual attrition of existing client programs of approximately 5% to 12% of our revenue. Attrition of existing client programs during the first nine months of 2012 was 8%.

The customer management services industry is highly competitive. We compete primarily with the in-house business processing operations of our current and potential clients. We also compete with certain third-party providers. Our ability to sell our existing services or gain acceptance for new products or services is challenged by the competitive nature of the industry. There can be no assurance that we will be able to sell services to new clients, renew relationships with existing clients, or gain client acceptance of our new products.

Our ability to renew or 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 clients operate. A continued weakening of the U.S. or the global economy could lengthen sales cycles or cause delays in closing new business opportunities.

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

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

We may have difficulties managing the timeliness of launching new or expanded client programs and the associated internal allocation of personnel and resources. This could cause slower than anticipated revenue growth and/or higher than expected costs primarily related to hiring, training and retaining the required workforce, either of which could adversely affect our operating results.

Quarterly, we review our capacity utilization and projected demand for future capacity. In conjunction with these reviews, we may decide to consolidate or close under-performing delivery centers, including those impacted by the loss of a client program, in order to maintain or improve targeted utilization and margins. In addition, because clients may request that we serve their customers from international delivery centers with lower prevailing labor rates, in the future we may decide to close one or more of our delivery centers, even though it is generating positive cash flow, because we believe the future profits from conducting such work outside the current delivery center may more than compensate for the one-time charges related to closing the facility.

Our profitability is influenced by our ability to increase capacity utilization in our delivery centers. We attempt to minimize the financial impact resulting from idle capacity when planning the development and opening of new delivery centers or the expansion of existing delivery centers. As such, management considers numerous factors that affect capacity utilization, including anticipated expirations, reductions, terminations, or expansions of existing programs and the potential size and timing of new client contracts that we expect to obtain.

We continue to win new business with both new and existing clients. To respond more rapidly to changing market demands, to implement new programs and to expand existing programs, we may be required to commit to additional capacity prior to the contracting of additional business, which may result in idle capacity. This is largely due to the significant time required to negotiate and execute large, complex customer experience client contracts and the difficulty of predicting specifically when new programs will launch.

We internally target capacity utilization in our delivery centers at 80% to 90% of our available workstations. As of September 30, 2012, the overall capacity utilization in our multi client centers was 77%. The table below presents workstation data for our multi client centers as of September 30, 2012 and 2011. Dedicated and managed centers (2,611 and 2,761 workstations as of September 30, 2012 and 2011, respectively) are excluded from the workstation data as unused workstations 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. We may change the designation of shared or dedicated centers based on the normal changes in our business environment and client needs.

	September 30, 2012			September 30, 2011		
	Total Production Workstations	In Use	% In Use	Total Production Workstations	In Use	% In Use
Multi-client centers						
Sites open <1 year	1,048	810	77%	1,623	479	30%
Sites open >1 year	24,311	18,646	77%	26,516	20,442	77%
Total multi-client centers	25,359	19,456	77%	28,139	20,921	74%

We continue to see demand from all geographic regions to utilize our offshore delivery capabilities and expect this trend to continue with our clients. In light of this trend, we plan to continue to selectively retain capacity and expand into new offshore markets. As we grow our offshore delivery capabilities and our exposure to foreign currency fluctuations increases, we continue to actively manage this risk via a multi-currency hedging program designed to minimize operating margin volatility.

Table of Contents

Recently Issued Accounting Pronouncements

Refer to Note 1 to the Notes to Consolidated Financial Statements for a discussion of recently issued accounting pronouncements.

Critical Accounting Policies and Estimates

Management s Discussion and Analysis of its financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. We regularly review our estimates and assumptions. These estimates and assumptions, which are based upon historical experience and on various other factors believed to be reasonable under the circumstances, form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Reported amounts and disclosures may have been different had management used different estimates and assumptions or if different conditions had occurred in the periods presented. For further information, please refer to the discussion of all critical accounting policies in Note 1 of the Notes to the Consolidated Financial Statement in our 2011 Annual Report on Form 10-K.

Explanation of Key Metrics and Other Items

Cost of Services

Cost of services principally include costs incurred in connection with our customer management services, including direct labor, telecommunications, technology costs, printing, sales and use tax and certain fixed costs associated with the delivery centers. In addition, cost of services includes income related to grants we may receive from local or state governments as an incentive to locate delivery centers in their jurisdictions which reduce the cost of services for those facilities.

Selling, General and Administrative

Selling, general and administrative expenses primarily include costs associated with administrative services such as sales, marketing, product development, legal settlements, legal, information systems (including core technology and telephony infrastructure) and accounting and finance. It also includes outside professional fees (i.e. legal and accounting services), building expense for non delivery center facilities and other items associated with general business administration.

Restructuring Charges, Net

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

Interest Expense

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

Other Income

The main components of other income are miscellaneous income not directly related to our operating activities, such as foreign exchange transaction gains.

Other Expense

The main components of other expense are expenditures not directly related to our operating activities, such as foreign exchange transaction losses.

Table of Contents

Presentation of Non GAAP Measurements

Free Cash Flow

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net cash provided by operating activities	$ 14,754	$ (8,479)	$ 63,411	$ 39,502
Less: Purchases of property, plant and equipment	15,781	8,804	33,149	21,166
Free cash flow	$ (1,027)	$ (17,283)	$ 30,262	$ 18,336

We discuss factors affecting free cash flow between periods in the Liquidity and Capital Resources section below.

Results of Operations

Three months ended September 30, 2012 compared to three months ended September 30, 2011

The tables included in the following sections are presented to facilitate an understanding of Management s Discussion and Analysis of Financial Condition and Results of Operations and present certain information by segment for the three months ended September 30, 2012 and 2011 (amounts in thousands). All inter company transactions between the reported segments for the periods presented have been eliminated.

Customer Management Services

	Three Months Ended September 30,			
	2012	2011	$ Change	% Change
Revenue	$ 224,041	$ 248,690	$ (24,649)	-9.9%
Operating Income	47,181	43,385	3,796	8.7%

The decrease in revenue for the Customer Management Services segment was attributable to $18.0 million in net increases in client programs offset by $27.7 million reduction related to the exit of certain unprofitable programs including our business in Spain, program completions of $10.9 million, and a $4.1 million decrease in realized gains on cash flow hedges and negative changes in foreign exchange translation.

The operating income as a percentage of revenue increased to 21.1% in the third quarter of 2012 as compared to 17.4% in the prior period. This increase is attributable to the rationalization of unprofitable programs as described above, reductions in our capacity and workforce to better align with the current business needs, and a decrease in depreciation expense related to assets which are now fully depreciated. The third quarter of 2012 also included a benefit of $2.9 million related to the settlement of certain real estate and employee related expenses.

Customer Growth Services

	Three Months Ended September 30,			
	2012	2011	$ Change	% Change
Revenue	$ 28,200	$ 25,793	$ 2,407	9.3%
Operating Income	5,818	5,020	798	15.9%

The increase in revenue for the Customer Growth Services segment was due to a net increase in client programs of $5.3 million offset by program completions of $2.9 million.

The operating income as a percentage of revenue increased to 20.6% in the third quarter of 2012 as compared to 19.5% in the prior period. This increase was derived from the higher revenue as described above partially offset by increases in employee related expenses.

Customer Technology Services

	Three Months Ended September 30,			
	2012	2011	$ Change	% Change
Revenue	$ 22,343	$ 22,876	$ (533)	-2.3%
Operating Income	3,272	4,289	(1,017)	-23.7%

The revenue for the Customer Technology Services segment was relatively flat from the prior year to the current year.

The operating income as a percentage of revenue decreased to 14.6% in the third quarter of 2012 as compared to 18.7% in the prior period. This decrease was caused by a change in the mix of revenue. In the third quarter of 2012, lower margin product sales comprised a greater percentage of revenue and higher margin hosted services comprised a lower percentage of revenue as compared to the third quarter of 2011.

Customer Strategy Services

	Three Months Ended September 30,			
	2012	2011	$ Change	% Change
Revenue	$ 11,684	$ 6,876	$ 4,808	69.9%
Operating Income	824	(322)	1,146	355.9%

The increase in revenue for the Customer Strategy Services segment was due to a $2.8 million net increase in consulting revenue, and a $2.2 million increase due to the acquisition of iKnowtion offset by a $0.2 million decrease due to negative changes in foreign exchange translation.

The operating income as a percentage of revenue increased to 7.1% in the third quarter of 2012 as compared to (4.7%) in the prior period. This increase was related to higher consulting revenue for Peppers & Rogers as well as revenue from the acquisition of iKnowtion, which has higher margins due to the nature of the service offerings.

Corporate

The Corporate expenses increased by $3.9 million or 15.2% in the third quarter of 2012 as compared to the prior period. This increase was primarily due to increases in employee related variable compensation.

Other Income (Expense)

For the three months ended September 30, 2012 and 2011, interest income decreased slightly to $0.8 million during 2012 from $0.9 million during 2011. Interest expense increased to $2.1 million during 2012 from $1.1 million during 2011, primarily due to additional expense related to the interest rate swap arrangements and higher balances on the line of credit.

Income Taxes

The reported effective tax rate for the three months ended September 30, 2012 was (13.8)%. The effective tax rate for the three months ended September 30, 2012 was impacted by earnings in international jurisdictions currently under an income tax holiday, a $0.7 million tax benefit associated with the $2.6 million in restructuring and impairment charges, a $7.6 million benefit related to Australia transfer pricing, and a $1.4 million benefit for the release of uncertain tax positions. Without the $7.6 million benefit related to Australia transfer pricing and the $1.4 million benefit for the release of uncertain tax positions, our effective tax rate for the third quarter would have been 21.1%. This compares to a reported effective tax rate of (1.9)% in the same period of 2011. In the third quarter of 2011, our effective tax rate would have been 23.4% without a $3.1 million tax benefit related to our mediated settlement with the IRS, a $1.4 million benefit related to the foreign earnings repatriation, a $2.2 million benefit related to Australia transfer pricing, and a $0.1 million expense for other discrete items.

Results of Operations

Nine months ended September 30, 2012 compared to nine months ended September 30, 2011

The tables included in the following sections are presented to facilitate an understanding of Management s Discussion and Analysis of Financial Condition and Results of Operations and present certain information by segment for the nine months ended September 30, 2012 and 2011 (amounts in thousands). All inter company transactions between the reported segments for the periods presented have been eliminated.

Customer Management Services

	Nine Months Ended September 30,			
	2012	2011	$ Change	% Change
Revenue	$ 688,317	$ 742,969	$ (54,652)	-7.4%
Operating Income	120,797	141,223	(20,426)	-14.5%

The decrease in revenue for the Customer Management Services segment was attributable to $53.6 million in net increases in client programs offset by a $56.0 million reduction related to the exit of certain unprofitable programs including our business in Spain, program completions of $36.1 million, and a $16.2 million decrease in realized gains on cash flow hedges and negative changes in foreign exchange translation.

The operating income as a percentage of revenue decreased to 17.5% for the nine months ended September 30, 2012 as compared to 19.0% in the same period of 2011. During 2012, we recorded $14.0 million in restructuring charges as a result of our decision to exit Spain and an incremental $4.8 million in restructuring charges in other locations to better align our capacity and workforce with the current business needs and in impairment charges. These charges were offset in part by increases in margins based on the rationalization of unprofitable programs as described above and the related reduction in capacity. The margin also benefited from a $4.6 million accrual release for salaries expense due to an authoritative ruling in Spain related to the legally required cost of living adjustments for our employees salaries, a $5.1 million decrease in depreciation expense related to assets which are now fully depreciated, and $2.9 million related to the settlement of certain real estate and employee related expenses.

Customer Growth Services

	Nine Months Ended September 30,			
	2012	2011	$ Change	% Change
Revenue	$ 75,373	$ 71,419	$ 3,954	5.5%
Operating Income	11,108	12,596	(1,488)	-11.8%

The increase in revenue for the Customer Growth Services segment was due to a net increase in client programs of $12.5 million offset by program completions of $8.5 million.

The operating income as a percentage of revenue decreased to 14.7% for the nine months ended September 30, 2012 as compared to 17.6% in the same period of 2011. This decline was primarily due to a $1.8 million charge related to the impairment of the trade-name intangible asset due to the rebranding of the Direct Alliance subsidiary to Revana during the first quarter of 2012, other expenses in connection with this rebranding, and increases in employee related expenses including salaries and benefits.

Customer Technology Services

	Nine Months Ended September 30,			
	2012	2011	$ Change	% Change
Revenue	$ 72,852	$ 39,193	$ 33,659	85.9%
Operating Income	11,734	10,158	1,576	15.5%

The increase in revenue for the Customer Technology Services segment was related to the acquisition of eLoyalty on May 28, 2011.

The operating income as a percentage of revenue decreased to 16.1% for the nine months ended September 30, 2012 as compared to 25.9% in the same period of 2011. This decrease was related to the acquisition of eLoyalty as discussed above which results in a change in the mix of revenue from purely hosted solutions to both hosted and managed solutions. There were also additional investments in sales and marketing and additional amortization expense for the customer relationship asset related to the acquisition of eLoyalty.

Customer Strategy Services

	Nine Months Ended September 30,			
	2012	2011	$ Change	% Change
Revenue	$ 31,178	$ 25,269	$ 5,909	23.4%
Operating Income	1,671	1,450	221	15.2%

The increase in revenue for the Customer Strategy Services segment was due to a $4.9 million increase due to the acquisition of iKnowtion and a $2.0 million net increase in consulting revenue partially offset by a $1.0 million decrease due to negative changes in foreign exchange translations.

The operating income as a percentage of revenue decreased to 5.4% for the nine months ended September 30, 2012 as compared to 5.7% in the same period of 2011. This decrease was related to higher consulting revenue for Peppers & Rogers as well as the acquisition of iKnowtion, offset by an increased investment in geographic expansion, and additional amortization expense for the customer relationship asset of iKnowtion.

Corporate

The Corporate expenses remained consistent for the nine months ended September 30, 2012 as compared to the same period of 2011.

Other Income (Expense)

For the nine months ended September 30, 2012, interest income decreased slightly to $2.2 million from $2.3 million in the same period of 2011. Interest expense increased to $4.8 million during 2012 from $3.8 million during 2011, primarily due to additional expense related to the interest rate swap arrangements and higher balances on the line of credit.

Income Taxes

The reported effective tax rate for the nine months ended September 30, 2012 was (6.1)%. The effective tax rate for the nine months ended September 30, 2012 was impacted by earnings in international jurisdictions currently under an income tax holiday, and $8.6 million tax benefit associated with the $23.7 million in restructuring and impairment charges which influenced the distribution of pre-tax income between the U.S. and international tax jurisdictions, a $7.6 million benefit related to Australia transfer pricing, and a $1.4 million benefit for the release of uncertain tax positions. Without the $7.6 million benefit related to Australia transfer pricing and the $1.4 million benefit related to the release of an uncertain tax position, our effective tax rate for the nine months would have been 20.4%. This compares to a reported effective tax rate of 13.4% in the same period of 2011. In the nine months ended September 30, 2011, our effective tax rate would have been 20.8% without a $9.1 million expense related to the adverse decision by the Canada Revenue Agency regarding our request for relief from double taxation, a $11.8 million benefit related to our mediated settlement with the IRS related to U.S. tax refund claims, a $1.4 million benefit related to the foreign earnings repatriation and a $1.1 million benefit for other discrete items recognized during the period.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash generated from operations, our cash and cash equivalents, and borrowings under our Credit Agreement, dated October 1, 2010 as amended March 27, 2012 (the   Credit Agreement). During the nine months ended September 30, 2012, we generated positive operating cash flows of $63.4 million. We believe that our cash generated from operations, existing cash and cash equivalents, and available credit will be sufficient to meet expected operating and capital expenditure requirements for the next 12 months.

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

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

We primarily utilize our Credit Agreement to fund working capital, general operations, stock repurchases and other strategic activities, such as the acquisitions described in Note 2 of the Notes to Consolidated Financial Statements. As of September 30, 2012 and December 31, 2011, we had borrowings of $88.0 million and $64.0 million, respectively, under our Credit Agreement, and our average daily utilization was $144.4 million and $104.7 million for the nine months ended September 30, 2012 and 2011, respectively. After consideration for issued letters of credit under the Credit Agreement, totaling $4.4 million, our remaining borrowing capacity was $407.6 million as of September 30, 2012. As of September 30, 2012, we were in compliance with all covenants and conditions under our Credit Agreement.

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

The following discussion highlights our cash flow activities during the nine months ended September 30, 2012 and 2011.

Cash and Cash Equivalents

We consider all liquid investments purchased within 90 days of their original maturity to be cash equivalents. Our cash and cash equivalents totaled $170.4 million and $156.4 million as of September 30, 2012 and December 31, 2011, respectively. We diversify the holdings of such cash and cash equivalents considering the financial condition and stability of the counterparty institutions.

Cash Flows from Operating Activities

We reinvest our cash flows from operating activities in our business for strategic acquisitions and for the purchase of our outstanding stock. For the nine months ended September 30, 2012 and 2011, net cash flows provided by operating activities were $63.4 million and $39.5 million, respectively. The $23.9 million increase was primarily due to the timing of cash received on accounts receivable and cash paid for accounts payable offset by the decrease in net income for the nine months ended September 30, 2012.

Cash Flows from Investing Activities

We reinvest cash in our business primarily to grow our client base and to expand our infrastructure. For the nine months ended September 30, 2012 and 2011, we reported net cash flows used in investing activities of $37.5 million and $65.5 million, respectively. The decrease was due to the large acquisition of eLoyalty in 2011 noted in the accompanying consolidated financial statements offset by a net $12.0 million increase in capital expenditures during the first nine months of 2012.

Cash Flows from Financing Activities

For the nine months ended September 30, 2012 and 2011, we reported net cash flows used in financing activities of $25.7 million and net cash flows provided by financing activities of $81.3 million, respectively. The decrease in net cash flows from 2011 to 2012 was primarily due to a $106.3 million decrease in net borrowings from our line of credit offset by a decrease of $3.2 million in purchases of our outstanding common stock.

Free Cash Flow

Free cash flow, a non-GAAP measurement (see Presentation of Non GAAP Measurements for definition of free cash flow) increased for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 as a result of a $23.9 million increase in cash flows provided by operating activities. Free cash flow was $30.3 million and $18.3 million for the nine months ended September 30, 2012 and 2011, respectively.

Obligations and Future Capital Requirements

Future maturities of our outstanding debt and contractual obligations as of September 30, 2012 are summarized as follows (amounts in thousands):

	Less than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Credit Facility(1)	$ 3,438	$ 6,875	$ 90,018	$ -	$ 100,331
Other debt obligations	2,129	4,316	749	-	7,194
Equipment financing arrangements	3,314	2,372	-	-	5,686
Purchase obligations	7,099	9,214	1,968	600	18,881
Operating lease commitments	25,458	34,197	17,308	7,884	84,847
Total	$ 41,438	$ 56,974	$ 110,043	$ 8,484	$ 216,939

(1) Includes estimated interest payments based on the weighted-average interest rate, unused commitment fees, current interest rate swap arrangements, and outstanding debt as of September 30, 2012.

- Contractual obligations to be paid in a foreign currency are translated at the period end exchange rate.

- Purchase obligations primarily consist of outstanding purchase orders for goods or services not yet received, which are not recognized as liabilities in our Consolidated Balance Sheets until such goods and/or services are received.

- The contractual obligation table excludes our liabilities of $0.4 million related to uncertain tax positions because we cannot reliably estimate the timing of cash payments.

The increase in our outstanding debt is primarily associated with the use of funds under our Credit Agreement to fund working capital, repurchase our common stock, and other cash flow needs across our global operations.

Future Capital Requirements

We expect total capital expenditures in 2012 to range between $40 and $45 million. Approximately 70% of these expected capital expenditures are to support growth in our business and 30% relates to the maintenance for existing assets. The anticipated level of 2012 capital expenditures is primarily dependent upon new client contracts and the corresponding requirements for additional delivery center capacity as well as enhancements to our technological infrastructure.

We may consider restructurings, dispositions, mergers, acquisitions and other similar transactions. Such transactions could include the transfer, sale or acquisition of significant assets, businesses or interests, including joint ventures, or the incurrence, assumption, or refinancing of indebtedness and could be material to the consolidated financial condition and consolidated results of our operations. Our capital expenditures requirements could also increase materially in the event of acquisitions or joint ventures. In addition, as of September 30, 2012, we were authorized to purchase an additional $26.5 million of common stock under our stock repurchase program (see Part II Item 2 of this Form 10-Q). The stock repurchase program does not have an expiration date.

The launch of large client contracts may result in short-term 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.

Debt Instruments and Related Covenants

We discuss debt instruments and related covenants in Note 13 of the Notes to the Consolidated Financial Statements in our 2011 Annual Report on Form 10 K. As of September 30, 2012, we were in compliance with all covenants under the Credit Agreement and had approximately $407.6 million in available borrowing capacity. We had $88.0 million of outstanding borrowings and $4.4 million of letters of credit outstanding under our Credit Agreement as of September 30, 2012. Based upon average outstanding borrowings during the three and nine months ended September 30, 2012, interest accrued at a rate of approximately 1.6% and 1.5% per annum, respectively.

Client Concentration

Our five largest clients accounted for 39.8% and 36.4% of our consolidated revenue for the three months ended September 30, 2012 and 2011, respectively. Our five largest clients accounted for 38.1% and 37.7% of our consolidated revenue for the nine months ended September 30, 2012 and 2011, respectively. We have experienced long-term relationships with our top five clients, ranging from five to 16 years, with the majority of these clients having completed multiple contract renewals with us. The relative contribution of any single client to consolidated earnings is not always proportional to the relative revenue contribution on a consolidated basis and varies greatly based upon specific contract terms. In addition, clients may adjust business volumes served by us based on their business requirements. We believe the risk of this concentration is mitigated, in part, by the long term contracts we have with our largest clients. Although certain client contracts may be terminated for convenience by either party, we believe this risk is mitigated, in part, by the service level disruptions and transition/migration costs that would arise for our clients.

The contracts with our five largest clients expire between 2012 and 2016. Additionally, a particular client may have multiple contracts with different expiration dates. We have historically renewed most of our contracts with our largest clients. However, there is no assurance that future contracts will be renewed, or if renewed, will be on terms as favorable as the existing contracts.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

We entered into interest rate derivative instruments to reduce our exposure to interest rate fluctuations associated with our variable rate debt. The interest rate on our Credit Agreement is variable based upon the Prime Rate and LIBOR and, therefore, is affected by changes in market interest rates. As of September 30, 2012, we had $88.0 million of outstanding borrowings under the Credit Agreement. Based upon average outstanding borrowings during the three and nine months ended September 30, 2012, interest accrued at a rate of approximately 1.6% and 1.5% per annum, respectively. If the Prime Rate or LIBOR increased by 100 basis points during the quarter, there would not have been a material impact to our consolidated financial position or results of operations.

The Company s interest rate swap arrangements as of September 30, 2012 and December 31, 2011 were as follows:

		Notional Amount	Variable Rate Received	Fixed Rate Paid	Contract Commencement Date	Contract Maturity Date
As of September 30, 2012	$	25 million	1 - month LIBOR	2.55%	April 2012	April 2016
		15 million	1 - month LIBOR	3.14%	May 2012	May 2017
	$	40 million				
As of December 31, 2011	$	25 million	1 - month LIBOR	2.55%	April 2012	April 2016
		15 million	1 - month LIBOR	3.14%	May 2012	May 2017
	$	40 million				

Foreign Currency Risk

Our subsidiaries in Argentina, Canada, Costa Rica, Mexico, and the Philippines use the local currency as their functional currency for paying labor and other operating costs. Conversely, revenue for these foreign subsidiaries is derived principally from client contracts that are invoiced and collected in U.S. dollars or other foreign currencies. As a result, we may experience foreign currency gains or losses, which may positively or negatively affect our results of operations attributed to these subsidiaries. For the nine months ended September 30, 2012 and 2011, revenue associated with this foreign exchange risk was 37% and 35% of our consolidated revenue, respectively.

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

Cash Flow Hedging Program

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

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

Our cash flow hedging instruments as of September 30, 2012 and December 31, 2011 are summarized as follows (amounts in thousands). All hedging instruments are forward contracts, except as noted.

As of September 30, 2012	Local Currency Notional Amount		U.S. Dollar Notional Amount	% Maturing in the Next 12 Months	Contracts Maturing Through
Canadian Dollar	11,500	$	11,072	71.7%	March 2014
Philippine Peso	9,290,000		210,767 (1)	47.7%	December 2015
Mexican Peso (Forwards)	1,166,500		83,721	40.9%	December 2015
Mexican Peso (Collars)	35,075		3,000 (3)	100.0%	December 2012
British Pound Sterling	4,839		7,611 (2)	57.5%	June 2014
New Zealand Dollars	595		450	100.0%	June 2013
		$	316,621		

As of December 31, 2011	Local Currency Notional Amount		U.S. Dollar Notional Amount
Canadian Dollar	25,750	$	25,137
Costa Rican Colon	2,000,000		3,874
Philippine Peso	13,304,000		301,361 (1)
Mexican Peso (Forwards)	1,081,000		80,735
Mexican Peso (Collars)	140,298		12,000 (4)
British Pound Sterling	8,808		13,822 (2)
		$	436,929

(1) Includes contracts to purchase Philippine pesos in exchange for New Zealand dollars and Australian dollars, which are translated into equivalent U.S. dollars on September 30, 2012 and December 31, 2011.

(2) Includes contracts to purchase British pound sterling in exchange for Euros, which are translated into equivalent U.S. dollars on September 30, 2012 and December 31, 2011.

(3) The Mexican peso collars include call options with a floor total of MXN 35.1 million and put options with a cap total of MXN (41.6 million) as of September 30, 2012.

(4) The Mexican peso collars include call options with a floor total of MXN 140.3 million and put options with a cap total of MXN (157.0 million) as of December 31, 2011.

The fair value of our cash flow hedges at September 30, 2012 was (assets/(liabilities)) (amounts in thousands):

		September 30, 2012		Maturing in the Next 12 Months
Canadian Dollar	$	562	$	479
Philippine Peso		10,784		5,815
Mexican Peso		3,761		1,919
British Pound Sterling		204		154
New Zealand Dollar		40		40
	$	15,351	$	8,407

Our cash flow hedges are valued using models based on market observable inputs, including both forward and spot foreign exchange rates, implied volatility, and counterparty credit risk. The decrease in fair value largely reflects the recent global economic conditions which resulted in high foreign exchange volatility and a broad strengthening in the U.S. dollar.

We recorded a net gain of approximately $2.0 million and $9.1 million for settled cash flow hedge contracts and the related premiums for the nine months ended September 30, 2012 and 2011, respectively. These gains were reflected in Revenue in the accompanying Consolidated Statements of Comprehensive Income. If the exchange rates between our various currency pairs were to increase or decrease by 10% from current period-end levels, we would incur a material gain or loss on the contracts. However, any gain or loss would be mitigated by corresponding increases or decreases in our underlying exposures.

Other than the transactions hedged as discussed above and in Note 6 of the Notes to Consolidated Financial Statements, the majority of the transactions of our U.S. and foreign operations are denominated in their respective local currency. However, transactions are denominated in other currencies from time-to-time. We do not currently engage in hedging activities related to these types of foreign currency risks because we believe them to be insignificant as we endeavor to settle these accounts on a timely basis. For the nine months ended September 30, 2012 and 2011, approximately 29% and 33%, respectively, of revenue was derived from contracts denominated in currencies other than the U.S. dollar. Our results from operations and revenue could be adversely affected if the U.S. dollar strengthens significantly against foreign currencies.

Fair Value of Debt and Equity Securities

We did not have any investments in debt or equity securities as of September 30, 2012.

ITEM 4. CONTROLS AND PROCEDURES

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

Evaluation of Disclosure Controls and Procedures

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

In connection with the preparation of this Quarterly Report on Form 10-Q, our management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2012. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2012 to provide such reasonable assurance.

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

Changes in Internal Control over Financial Reporting

In the first quarter of 2012, the Company completed a version upgrade to its Enterprise Resource Planning system. During the implementation period, the Company has reassessed, tested and updated, as necessary, the various processes or accounting procedures, which may be affected by the upgrade. Based on Management s assessment and testing of the upgrade, the upgrade did not materially affect the Company s internal controls.

There was no change in our internal control over financial reporting during the quarter ended September 30, 2012 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we have been involved in claims and lawsuits, both as plaintiff and defendant, which arise in the ordinary course of business. Accruals for claims or lawsuits have been provided for to the extent that losses are deemed both probable and estimable. Although the ultimate outcome of these claims or lawsuits cannot be ascertained, on the basis of present information and advice received from counsel, we believe that the disposition or ultimate resolution of such claims or lawsuits will not have a material adverse effect on our financial position, cash flows or results of operations.

In 2009, the municipality of Sao Paolo, Brazil assessed our Brazilian subsidiary a services tax on certain equipment rental income earned in 2004 and 2005. In March 2011, our Brazilian subsidiary filed a tax annulment action in the Sao Paolo municipal court to challenge the assessment of services taxes on rental income. Further, in order to halt the possibility of any further interest being charged against the alleged due tax assessments, our Brazilian subsidiary gave a bank guarantee of 6.9 million Brazilian reais (approximately $4.1 million USD) in the first quarter of 2012. In the second quarter of 2012, the Sao Paolo municipal court issued a ruling in favor of Sao Paolo on this tax annulment action, which ruling our Brazilian subsidiary has challenged. Our Brazilian subsidiary filed this challenge in the state court of Sao Paolo which is not bound by the decision of the Sao Paolo municipal court and where a ruling is not expected for the next one to two years. Based on an opinion received from legal counsel in Brazil, the Company believes that (i) the ruling issued by the Sao Paolo municipal court was incorrect and in contravention of a Brazil Supreme Court ruling concerning the invalidity of services taxes on rental income, (ii) the Brazilian subsidiary has valid defenses against the assessed services taxes and (iii) that payment of these services taxes is not probable. Accordingly, we have not recorded an expense in the nine months ended September 30, 2012 for the Sao Paolo services tax assessment.

On October 12, 2012, David Calkins filed an amended class action complaint in the Superior Court of the State of California, County of Santa Clara, against TeleTech Services Corp. and Google Inc. (Google), as co-defendants. The action alleges that the defendants violated California Penal Code Section 632 by recording telephone calls made on behalf of Google to residents in California without disclosing that the calls might be recorded. The plaintiff seeks class certification, cash statutory damages and attorney fees. Pursuant to our agreement with Google, Google has made a claim for full indemnification from the Company for all expenses incurred by Google in connection with the lawsuit. The ultimate outcome of this litigation, and consequently, an estimate of the possible loss, if any, related to this litigation, cannot reasonably be determined at this time. The Company intends to vigorously defend itself in these proceedings.

ITEM 1A. RISK FACTORS

There were no material changes to the risk factors as previously reported in our 2011 Annual Report on Form 10-K for the year ended December 31, 2011.

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

Issuer Purchases of Equity Securities

Following is the detail of the issuer purchases made during the quarter ended September 30, 2012:

Period	Total Number of Shares Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)[1]
June 30, 2012				$ 15,931
July 1, 2012 - July 31, 2012	56,500	$ 15.87	56,500	$ 15,035
August 1, 2012 - August 31, 2012	831,100	$ 16.34	831,100	$ 26,452
September 1, 2012 - September 30, 2012	-	$ -	-	$ 26,452
Total	887,600		887,600	

(1) In November 2001, our Board of Directors (Board) authorized a stock repurchase program with the objective of increasing stockholder returns. The Board periodically authorizes additional increases to the program. The most recent Board authorization to purchase additional common stock occurred in August 2012, whereby the Board increased the program allowance by $25.0 million. Since inception of the program through September 30, 2012, the Board has authorized the repurchase of shares up to a total value of $512.3 million, of which we have purchased 35.7 million shares on the open market for $485.8 million. As of September 30, 2012 the remaining amount authorized for repurchases under the program was approximately $26.5 million. The stock repurchase program does not have an expiration date.

ITEM 6. EXHIBITS

Exhibit No.	**Exhibit Description**
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

* Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Notes to the Consolidated Financial Statements, (ii) Consolidated Balance Sheets as of September 30, 2012 (unaudited) and December 31, 2011, (iii) Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2012 and 2011 (unaudited), (iv) Consolidated Statements of Stockholders   Equity as of and for the nine months ended September 30, 2012 (unaudited), and (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011 (unaudited). Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

SIGNATURES

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

		TELETECH HOLDINGS, INC. (Registrant)
Date: November 7, 2012	By:	/s/ Kenneth D. Tuchman Kenneth D. Tuchman Chairman and Chief Executive Officer
Date: November 7, 2012	By:	/s/ Regina M. Paolillo Regina M. Paolillo Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Exhibit Description
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

* Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Notes to the Consolidated Financial Statements, (ii) Consolidated Balance Sheets as of September 30, 2012 (unaudited) and December 31, 2011, (iii) Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2012 and 2011 (unaudited), (iv) Consolidated Statements of Stockholders Equity as of and for the nine months ended September 30, 2012 (unaudited), and (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011 (unaudited). Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.