

REGISTRATION NO. 333-04097

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 1 TO  
FORM S-1

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

TELETECH HOLDINGS, INC.  
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	7389 (Primary Standard Industrial Classification Code Number)	84-1291044 (I.R.S. Employee Identification No.)
----------------------------------------------------------------------------------	---------------------------------------------------------------------	----------------------------------------------------------

1700 LINCOLN STREET, SUITE 1400  
DENVER, COLORADO 80203  
(303) 894-4000  
(Address, including zip code, and telephone number, including  
area code, of registrant's executive offices)

KENNETH D. TUCHMAN  
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER  
TELETECH HOLDINGS, INC.  
1700 LINCOLN STREET, SUITE 1400  
DENVER, COLORADO 80203  
(303) 894-4000  
(Name, address, including zip code, and telephone number, including area code,  
of agent for service)

WITH COPIES TO:

CHARLES EVANS GERBER, ESQ.  
HELEN N. KAMINSKI, ESQ.  
Neal, Gerber & Eisenberg  
Two North LaSalle Street  
Chicago, Illinois 60602  
(312) 269-8000

HOWARD S. LANZNAR, ESQ.  
MARK D. WOOD, ESQ.  
Katten Muchin & Zavis  
525 West Monroe Street  
Chicago, Illinois 60661  
(312) 902-5200

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:  
AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

If any of the securities being registered on this Form are to be offered on  
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
1933, check the following box. / /

If this Form is filed to register additional securities for an offering  
pursuant to Rule 462(b) under the Securities Act, please check the following box  
and list the Securities Act registration statement number of the earlier  
effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c)  
under the Securities Act, check the following box and list the Securities Act  
registration statement number of the earlier effective registration statement  
for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434,  
please check the following box. / /

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION ON SUCH DATE AS MAY BE  
NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER  
AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL  
THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES OF  
1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS  
THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A),  
MAY DETERMINE.

TELETECH HOLDINGS, INC.  
CROSS REFERENCE SHEET  
PURSUANT TO REGULATION S-K, SECTION 501(B)

FORM S-1 ITEM

LOCATION IN PROSPECTUS

1.	Forepart of the Registration Statement and Outside Front Cover Page of Prospectus.....	Forepart of the Registration Statement and Outside Front Cover Page of Prospectus
2.	Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front and Outside Back Cover Pages of Prospectus; Additional Information
3.	Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges.....	Prospectus Summary; The Company; Risk Factors; Business
4.	Use of Proceeds.....	Prospectus Summary; Use of Proceeds
5.	Determination of Offering Price.....	Outside Front Cover Page of Prospectus; Underwriters
6.	Dilution.....	Dilution
7.	Selling Security Holders.....	Principal and Selling Stockholders
8.	Plan of Distribution.....	Outside and Inside Front Cover Pages of Prospectus; Underwriters
9.	Description of Securities to be Registered.....	Prospectus Summary; Capitalization; Description of Capital Stock
10.	Interests of Named Experts and Counsel.....	Legal Matters; Experts
11.	Information with Respect to the Registrant.....	Cover Page of Registration Statement; Outside and Inside Front Cover Pages of Prospectus; Prospectus Summary; The Company; Risk Factors; Use of Proceeds; Dividend Policy; Capitalization; Dilution; Selected Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Management; Certain Relationships and Related Party Transactions; Principal and Selling Stockholders; Description of Capital Stock; Shares Eligible for Future Sale; Legal Matters; Experts; Financial Statements
12.	Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	*

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\*Inapplicable

## EXPLANATORY NOTES

Amendment No. 1 is being filed for the sole purpose of filing the Report of Independent Public Accountants of Access 24 Service Corporation Pty Limited, which is found on page F-4, and certain additional exhibits, as indicated on the Exhibit Index of the Registration Statement.

This Registration Statement contains two forms of prospectuses: one to be used in connection with an offering in the United States and Canada (the "U.S. Prospectus") and one to be used in connection with a concurrent international offering (the "International Prospectus") of the Common Stock, par value \$.002 per share, of TeleTech Holdings, Inc. The form of U.S. Prospectus is included herein and is followed by the outside front cover page to be used in the International Prospectus, which is the only differing page of the International Prospectus. The outside front cover page of the International Prospectus included herein is labeled "Alternative Page for International Prospectus."

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

6,000,000 SHARES

[LOGO]  
COMMON STOCK  
-----

OF THE 6,000,000 SHARES OF COMMON STOCK BEING OFFERED, 4,000,000 SHARES ARE BEING SOLD BY THE COMPANY AND 2,000,000 SHARES ARE BEING SOLD BY THE SELLING STOCKHOLDERS NAMED HEREIN. THE COMPANY WILL NOT RECEIVE ANY OF THE PROCEEDS FROM THE SALE OF SHARES BY THE SELLING STOCKHOLDERS. SEE "PRINCIPAL AND SELLING STOCKHOLDERS." OF THE SHARES BEING OFFERED, SHARES ARE BEING OFFERED INITIALLY IN THE UNITED STATES AND CANADA BY THE U.S. UNDERWRITERS AND SHARES ARE BEING OFFERED INITIALLY OUTSIDE OF THE UNITED STATES AND CANADA BY THE INTERNATIONAL UNDERWRITERS. SEE "UNDERWRITERS." PRIOR TO THE OFFERING, THERE HAS BEEN NO PUBLIC MARKET FOR THE COMMON STOCK OF THE COMPANY. IT IS CURRENTLY ANTICIPATED THAT THE INITIAL PUBLIC OFFERING PRICE WILL BE BETWEEN \$ AND \$ . SEE "UNDERWRITERS" FOR A DISCUSSION OF THE FACTORS CONSIDERED IN DETERMINING THE INITIAL OFFERING PRICE.  
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THIS OFFERING INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" COMMENCING ON PAGE 6 HEREOF.  
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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.  
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PRICE \$ A SHARE  
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	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS (1)	PROCEEDS TO COMPANY (2)	PROCEEDS TO SELLING STOCKHOLDERS
PER SHARE.....	\$	\$	\$	\$
TOTAL (3).....	\$	\$	\$	\$

- 
- (1) THE COMPANY AND THE SELLING STOCKHOLDERS HAVE AGREED TO INDEMNIFY THE UNDERWRITERS AGAINST CERTAIN LIABILITIES, INCLUDING LIABILITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED.
- (2) BEFORE DEDUCTING EXPENSES PAYABLE BY THE COMPANY ESTIMATED AT \$ . THE COMPANY HAS AGREED TO PAY THE EXPENSES OF THE SELLING STOCKHOLDERS, OTHER THAN UNDERWRITING DISCOUNTS AND COMMISSIONS.
- (3) ONE OF THE SELLING STOCKHOLDERS HAS GRANTED THE U.S. UNDERWRITERS AN OPTION, EXERCISABLE WITHIN 30 DAYS OF THE DATE HEREOF, TO PURCHASE UP TO AN AGGREGATE OF 900,000 ADDITIONAL SHARES OF COMMON STOCK AT THE PRICE TO PUBLIC LESS UNDERWRITING DISCOUNTS AND COMMISSIONS FOR THE PURPOSE OF COVERING OVER-ALLOTMENTS, IF ANY. IF THE U.S. UNDERWRITERS EXERCISE SUCH OPTION IN FULL, THE TOTAL PRICE TO PUBLIC, UNDERWRITING DISCOUNTS AND COMMISSIONS, PROCEEDS TO COMPANY AND PROCEEDS TO SELLING STOCKHOLDERS WILL BE \$ , \$ , \$ , AND \$ , RESPECTIVELY. SEE "UNDERWRITERS."  
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THE SHARES ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITERS NAMED HEREIN AND SUBJECT TO APPROVAL OF CERTAIN LEGAL MATTERS BY KATTEN MUCHIN & ZAVIS, COUNSEL FOR THE UNDERWRITERS. IT IS EXPECTED THAT DELIVERY OF THE SHARES WILL BE MADE ON OR ABOUT , 1996 AT THE OFFICE OF MORGAN STANLEY & CO. INCORPORATED, NEW YORK, NEW YORK, AGAINST PAYMENT THEREFOR IN IMMEDIATELY AVAILABLE FUNDS.  
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MORGAN STANLEY & CO.  
INCORPORATED

ALEX. BROWN & SONS  
INCORPORATED

SMITH BARNEY INC.

, 1996

## INSIDE FRONT COVER OF PROSPECTUS:

The inside front cover is a gatefold which opens to a multicolor graphic layout containing, in the upper right-hand corner, the title "integrated customer lifecycle management." Under the title is written: "TeleTech's solutions integrate all phases of the customer lifecycle -- customer acquisition, service and retention, satisfaction and loyalty -- and are designed to maximize the lifetime value of its client's customer relationships."

The gatefold contains six photographs of the Company's call centers (two overlapping photographs in each of the lower left-hand, upper left-hand and upper right-hand corners with the word "TeleTech" superimposed). In the center of the gatefold, there is an oval photograph of a woman speaking on the telephone, which is labelled "Client's Customer." This photograph is surrounded by three smaller oval photographs of faces, each of which is labelled "TeleTech representative." Radiating outward from the center oval photograph of the Client's Customer are 16 curved lines, each of which terminates at an oval point, adjacent to which is a question or request that the customer might have regarding a particular product or service. Following this "customer lifecycle" clockwise from a point labelled "Start", the questions or requests that a customer might ask appear as follows:

"Tell me about it."  
"Where can I buy it?"  
"I want to order it."  
"How do I activate it."  
"Help me navigate it."  
"Send someone to repair it."  
"I want to upgrade it."  
"My billing address has changed for it."  
"How do I take care of it?"  
"I want to complain about it."  
"I want to rave about it."  
"Make me a preferred customer and I'll keep buying it."  
"Register me for the event celebrating it."  
"Contact my friend about trying it."  
"I'd like to buy it again."

These questions or requests are classified by color into the following three phases of the customer lifecycle: "CUSTOMER ACQUISITION/SHORT-TERM VALUE," "CUSTOMER SERVICE + RETENTION/SUSTAINED VALUE," "CUSTOMER SATISFACTION + LOYALTY/MAXIMUM VALUE."

Centered along the lower edge of the gatefold, is an oval graphic containing text that lists under the heading "TeleTech's Core Strengths" the following words: "People -- Infrastructure -- Technology -- Process -- Strategy -- Innovation." On either side of this text is an arrow, one of which points to the left indicating "Customer Benefits" (listed as "Access to direct product and service providers -- Rapid, single-call resolution -- Personalized service -- Long-term, loyal supplier relationships"), and the other of which points to the right indicating "Client Benefits" (listed as "Reduced operating costs -- Core competency concentration -- Enhance service quality -- Enlightening customer relationships -- Maximum customer value").

TeleTech's corporate logo appears in the lower left-hand corner of the gatefold, under which are written the words: "COPYRIGHT 1996."

NO PERSON IS AUTHORIZED IN CONNECTION WITH ANY OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, BY ANY SELLING STOCKHOLDER OR BY ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFERING OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

UNTIL , 1996 (25 DAYS AFTER COMMENCEMENT OF THIS OFFERING), ALL DEALERS EFFECTING TRANSACTIONS IN COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

For investors outside of the United States: No action has been or will be taken in any jurisdiction by the Company or by any Underwriter that would permit a public offering of the Common Stock or possession or distribution of this Prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons into whose possession this Prospectus comes are required by the Company and the Underwriters to inform themselves about and to observe any restrictions as to the offering of the Common Stock and the distribution of this Prospectus.

In this Prospectus references to "dollars" and "\$" are to United States dollars, and the terms "United States" and "U.S." mean the United States of America, its states, its territories, its possessions and all areas subject to its jurisdiction.

## TABLE OF CONTENTS

	PAGE
Prospectus Summary.....	3
The Company.....	5
Risk Factors.....	6
Use of Proceeds.....	11
Dividend Policy.....	11
Capitalization.....	12
Dilution.....	13
Selected Financial Data.....	14
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	17
Business.....	23
Management.....	34
Certain Relationships and Related Party Transactions.....	41
Principal and Selling Stockholders.....	42
Description of Capital Stock.....	44
Shares Eligible for Future Sale.....	46
Certain United States Federal Tax Consequences for Non-U.S. Holders of Common Stock.....	48
Underwriters.....	50
Legal Matters.....	53
Experts.....	53
Additional Information.....	53
Index to Financial Statements.....	F-1

The Company intends to furnish to its stockholders annual reports containing consolidated financial statements audited by an independent accounting firm and quarterly reports for the first three quarters of each fiscal year containing interim unaudited financial information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

## PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS AND NOTES THERETO APPEARING ELSEWHERE IN THIS PROSPECTUS. EXCEPT AS OTHERWISE NOTED HEREIN, INFORMATION IN THIS PROSPECTUS (I) ASSUMES NO EXERCISE OF THE UNDERWRITERS' OVER-ALLOTMENT OPTION, (II) REFLECTS A FIVE-FOR-ONE SPLIT OF THE COMPANY'S COMMON STOCK TO BE EFFECTED IMMEDIATELY PRIOR AND SUBJECT TO THE CLOSING OF THIS OFFERING (THE "OFFERING") AND (III) REFLECTS THE CONVERSION OF ALL OUTSTANDING SHARES OF CONVERTIBLE PREFERRED STOCK, PAR VALUE \$6.45 PER SHARE, OF THE COMPANY ("PREFERRED STOCK") INTO 9,300,000 SHARES OF COMMON STOCK TO BE EFFECTED IMMEDIATELY PRIOR AND SUBJECT TO THE CLOSING OF THE OFFERING (THE "PREFERRED STOCK CONVERSION"). SEE "DESCRIPTION OF CAPITAL STOCK" AND "UNDERWRITERS." UNLESS OTHERWISE INDICATED, REFERENCES TO "TELETECH" AND THE "COMPANY" MEAN TELETECH HOLDINGS, INC. AND ITS WHOLLY-OWNED SUBSIDIARIES OR, FOR PERIODS PRIOR TO DECEMBER 1994, MEAN TELETECH TELECOMMUNICATIONS, INC. AND TELETECH TELESERVICES, INC., COLLECTIVELY. SEE "THE COMPANY."

### THE COMPANY

TeleTech is a leading provider of customer care solutions for Fortune 1000 companies. Customer care encompasses a wide range of customer acquisition, retention and satisfaction programs designed to maximize the lifetime value of the relationships between TeleTech's clients and their customers. TeleTech's customer care programs involve all stages of the customer lifecycle and usually consist of a variety of customer service and technical and product support activities, such as product information, program enrollment, help desk support, account inquiries, problem resolution and satisfaction assessments. TeleTech works closely with its clients to rapidly design and implement large scale, tailored customer care programs that provide integrated, comprehensive solutions to specific business needs.

TeleTech delivers its customer care services primarily through customer-initiated ("inbound") telephone calls and also over the Internet. Services are provided by trained customer care representatives ("Representatives") in TeleTech call centers ("Call Centers") in response to an inquiry that a customer makes by calling a toll-free telephone number or by sending an Internet message. Representatives respond to these inquiries utilizing state-of-the-art workstations that leverage TeleTech's advanced technology platform and enable them to provide rapid, single-call resolution. This platform incorporates digital switching, client/server technology, object-oriented software modules, relational database management systems, proprietary call tracking management software, computer telephony integration and interactive voice response. TeleTech's services generally are provided on either a fully outsourced or facilities management basis.

TeleTech seeks to establish long-term, strategic relationships, typically formalized by multi-year contracts, with selected clients in the telecommunications, technology, transportation, health care and financial services industries. TeleTech targets clients in these industries because of their complex product and service offerings and large customer bases, which require frequent, often sophisticated, customer interactions. The Company recently entered into significant, multi-year contracts with CompuServe and United Parcel Service and has obtained additional business from AT&T. Additional clients include Apple Computer, Bell Atlantic, Novell, NYNEX and Wells Fargo Bank.

The Company was founded in 1982 and has been providing inbound customer care solutions since its inception. Since January 1995, the Company has opened, acquired or initiated management of seven Call Centers. As of April 30, 1996, TeleTech owned, leased or managed nine Call Centers in the United States, the United Kingdom, Australia and New Zealand equipped with a total of 4,560 state-of-the-art workstations. TeleTech currently plans to open two additional Call Centers and expand an existing Call Center by the end of 1996. In the first quarter of 1996, approximately 95% of the Company's call handling revenues were derived from inbound inquiries. TeleTech's revenues increased 42.3% to \$50.5 million in 1995 from \$35.5 million in 1994. In the first quarter of 1996, revenues increased 111.5% to \$22.0 million from \$10.4 million in the same period of 1995.



# THE OFFERING

Common Stock offered.....	6,000,000 shares
	4,000,000 shares by the Company
	2,000,000 shares by the Selling Stockholders
U.S. offering.....	shares
International offering.....	shares
Common Stock to be outstanding after the	
Offering.....	55,046,240 shares(1)
Use of proceeds to the Company.....	For working capital and general corporate purposes and to repay outstanding short-term indebtedness.
Proposed Nasdaq National Market Symbol.....	TTEC

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- (1) Includes 9,300,000 shares of Common Stock to be issued upon the conversion of all 1,860,000 outstanding shares of Preferred Stock pursuant to the Preferred Stock Conversion. Excludes 4,968,500 shares of Common Stock issuable upon exercise of options outstanding at May 15, 1996 with a weighted average exercise price of \$4.69 per share. See "Capitalization," "Management-- Compensation of Directors," "Management--Teletech Stock Option Plan," "Underwriters" and note 11 to the Company's Consolidated and Combined Financial Statements (the "Financial Statements").

## SUMMARY FINANCIAL INFORMATION (1) (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND OPERATING DATA)

	YEAR ENDED JANUARY 31, ----- 1993 -----		ELEVEN MONTHS ENDED DECEMBER 31, ----- 1993 -----		YEAR ENDED DECEMBER 31, ----- 1994 -----		THREE MONTHS ENDED MARCH 31, ----- 1995 -----	
	1992 ----- (UNAUDITED)							
STATEMENT OF OPERATIONS DATA:								
Revenues.....	\$ 5,751	\$13,814	\$19,520		\$35,462	\$50,467	\$10,412	\$22,019
Income (loss) from operations.....	(332)	250	837		2,196	4,596	614	2,723
Net income.....	214	52	548		1,695	4,156(2)	1,628(2)	1,258
Pro forma net income.....	214	52	299(3)		1,037(3)	4,156(2)	1,628(2)	1,258
Pro forma net income per share of Common Stock and equivalents (4).....	--	--	.01(3)		.02(3)	.08(2)	.03(2)	.02
Weighted average shares outstanding (4).....	44,085	44,085	44,085		44,085	54,658	54,586	54,682
OPERATING DATA:								
Number of Call Centers.....	1	1	2		2	3	3	9
Number of workstations.....	300	300	560		560	960	960	3,107

MARCH 31, 1996 -----		
ACTUAL	PRO FORMA (5)	PRO FORMA AS ADJUSTED (6)
----- (UNAUDITED)		

BALANCE SHEET DATA:		
Working capital.....	\$ 5,380	\$ 5,380
Total assets.....	49,454	49,454
Long-term debt, net of current portion.....	6,536	6,536
Total stockholders' equity.....	9,829	22,908

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- (1) The Summary Financial Information presented in this table is derived from the "Selected Financial Information" and the Financial Statements included elsewhere in this Prospectus.
- (2) Includes the \$2.4 million pre-tax net proceeds of a one-time payment made by a former client to TeleTech in connection with such client's early termination of a contract.
- (3) During 1993 and 1994, the Company was an S corporation under Subchapter S of the Internal Revenue Code of 1986, as amended (the "Code"), and, accordingly, was not subject to federal income taxes. Pro forma net income includes a provision for income taxes at an effective rate of 44.4% for the 11 months ended December 31, 1993 and 39.5% for the year ended December 31, 1994.
- (4) Calculated in the manner described in note 1 to the Financial Statements.
- (5) Reflects the conversion of 1,860,000 shares of Preferred Stock into 9,300,000 shares of Common Stock pursuant to the Preferred Stock Conversion.
- (6) Reflects the sale of 4,000,000 shares of Common Stock being offered by TeleTech at an assumed initial price to public of \$ per share (net of

approximately \$ million of estimated offering expenses and underwriting discounts and commissions) and the application of the estimated net proceeds therefrom, including repayment of short-term indebtedness. See "Use of Proceeds" and "Capitalization."

## THE COMPANY

TeleTech is a leading provider of customer care solutions for Fortune 1000 companies. Customer care encompasses a wide range of customer acquisition, retention and satisfaction programs designed to maximize the lifetime value of the relationships between TeleTech's clients and their customers. TeleTech's customer care programs involve all stages of the customer lifecycle and usually consist of a variety of customer service and technical and product support activities, such as product information, program enrollment, help desk support, account inquiries, problem resolution and satisfaction assessments. TeleTech delivers its customer care services primarily through customer initiated telephone calls and also over the Internet. Services are generally provided by customer care Representatives in Call Centers in response to an inquiry that a customer makes by calling a toll-free telephone number or by sending an Internet message. Representatives respond to these inquiries utilizing state-of-the-art workstations that leverage TeleTech's advanced technology platform and enable it to provide rapid, single-call resolution. TeleTech's services are generally provided on either a fully outsourced or facilities management basis.

Companies today are finding it increasingly difficult to satisfy their customers' needs for service and information. The Company believes that customer care has become a clear competitive differentiator and that consumers increasingly consider the relative effectiveness, ease of use and responsiveness of customer service when evaluating comparable products or services. Historically, companies have provided customer care and support in-house because they believed that the "customer interface" was too critical to be outsourced. Many now acknowledge that they do not have the core competencies or are unwilling to invest the substantial resources necessary to provide high quality, inbound customer care solutions on a timely, cost effective basis. As a result of these trends, a large and rapidly growing customer care outsourcing industry has emerged. Management believes that companies considering outsourcing their customer care activities increasingly are seeking a strategic partner that can understand their business, can provide a comprehensive range of services, and has the flexibility, scalability, management expertise, facilities and sophisticated technological and educational resources to serve effectively their customers' long-term needs.

TeleTech designs and implements customer care programs that are customized to provide an integrated solution tailored for each client. The Company's programs are designed to (i) improve the quality and yield of customer interactions, (ii) reduce the operating costs associated with the delivery of customer service and product support, (iii) minimize the client's required investment in and technology risks associated with operating in-house call centers, (iv) eliminate the need to manage large numbers of call center employees and (v) enable clients to focus on their core competencies. These programs address inbound customer interactions in a manner that is seamless with the client's operations and transparent to the customers. TeleTech effectively delivers these programs by rapidly deploying the technology and human resources required to implement and manage comprehensive, integrated customer care solutions.

TeleTech seeks to establish long-term, strategic relationships, typically formalized by multi-year contracts, with selected clients in the telecommunications, technology, transportation, health care and financial services industries. TeleTech targets clients in these industries because of their complex product and service offerings and large customer bases that require frequent, often sophisticated, customer interactions.

TeleTech's principal executive offices are located at 1700 Lincoln Street, Suite 1400, Denver, Colorado 80203 and its telephone number is (303) 894-4000. TeleTech was incorporated under the laws of Delaware in December 1994 in connection with a restructuring of the ownership of TeleTech Telecommunications, Inc., which was incorporated under the laws of California in October 1982, and TeleTech Teleservices, Inc., which was incorporated under the laws of Colorado in November 1992. As a result of such restructuring, TeleTech Teleservices and TeleTech Telecommunications became wholly-owned subsidiaries of TeleTech.

## RISK FACTORS

IN EVALUATING THE COMPANY'S BUSINESS, PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS IN ADDITION TO THE OTHER INFORMATION PRESENTED IN THIS PROSPECTUS.

**RELIANCE ON MAJOR CLIENTS.** The Company has strategically focused its marketing efforts on developing long-term relationships with Fortune 1000 companies in targeted industries. As a result, a substantial portion of the Company's revenues is derived from relatively few clients. Collectively, the Company's 10 largest clients in 1995 accounted for approximately 82.1% of the Company's 1995 revenues. The Company's three largest clients in 1995 were AT&T, Continental Airlines and Apple Computer, which accounted for approximately 31% (including 11% from AT&T's subsidiary McCaw Communications d/b/a Cellular One), 18% and 9%, respectively, of the Company's 1995 revenues. The Company's program for Continental Airlines was completed in March 1996 and was not renewed. The Company expects that its three largest clients in 1996, which it anticipates will be AT&T, CompuServe and United Parcel Service, collectively will account for an even greater percentage of the Company's 1996 net revenues. There can be no assurance that the Company will be able to retain its significant clients or that, if it were to lose one or more of its significant clients, it would be able to replace such clients with clients that generate a comparable amount of revenues. Consequently, the loss of one or more of its significant clients could have a material adverse effect on the Company's business, results of operations or financial condition. See "Business--Business Strategy," "-- Markets and Clients," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Substantially all of the Company's significant arrangements with its clients generate revenues based, in large part, on the amount of time which the Company's personnel devotes to such clients' customers. Consequently, and due to the primarily inbound nature of the Company's business, the amount of revenues generated from any particular client is generally dependent upon consumers' interest in, and use of, the client's products and/or services. Furthermore, a significant portion of the Company's expected revenues for 1996 relate to recently-introduced, unproven product or service offerings of the Company's clients, including two significant programs developed for two of the Company's largest clients. There can be no assurance as to the number of consumers who will be attracted to the products and services of the Company's clients and who will therefore need the Company's services, or that the Company's clients will develop new products or services that will require the Company's services.

**MANAGEMENT OF GROWTH.** The Company has experienced rapid growth over the past several years and anticipates continued future growth. Continued growth depends on a number of factors, including the Company's ability to (i) initiate, develop and maintain new client relationships and expand its marketing operations, (ii) recruit, motivate and retain qualified management and hourly personnel, (iii) rapidly identify, acquire or lease suitable Call Center facilities on acceptable terms and complete build-outs of such facilities in a timely and economic fashion, and (iv) maintain the high quality of the services and products that it provides to its clients. The Company's continued rapid growth can be expected to place a significant strain on the Company's management, operations, employees and resources. There can be no assurance that the Company will be able to maintain or accelerate its current growth, effectively manage its expanding operations or achieve planned growth on a timely or profitable basis. If the Company is unable to manage growth effectively, its business, results of operations or financial condition could be materially adversely affected. See "Business--Growth Strategy," "--Operations" and "--Facilities."

**RISKS ASSOCIATED WITH THE COMPANY'S CONTRACTS.** Although the Company currently seeks to sign multi-year contracts with its clients, the Company's contracts do not assure the Company a specific level of revenues and they generally do not designate the Company as the client's exclusive service provider. The Company believes maintaining satisfactory relationships with its clients has a more significant impact on the Company's revenues than the specific terms of its client contracts. Certain of the Company's current contracts (representing approximately 36% of the Company's 1995 revenues) have terms of one year or less and there can be no assurance that the clients will renew or extend such contracts. In addition, the Company's contracts are terminable by its clients on relatively short notice. Although many of such contracts require payment of a contractually agreed amount in the event of early termination, there can be no

assurance that the Company will be able to collect such amount or that such amount, if received, will sufficiently compensate the Company for the investment it has made to support the cancelled program or for the revenues it may lose as a result of the early termination. In addition, some of the Company's contracts limit the aggregate amount the Company can charge for its services during the term of the contract and several prohibit the Company from providing services to a direct competitor of a client that are similar to the services the Company provides to such client. Although a few of the Company's more recently executed contracts provide for annual increases in the rates paid by clients in the event of increases in certain cost or price indices, most of the Company's contracts do not include such provisions and some of the contracts currently in effect provide that the service fees paid by clients may be adjusted downward if the performance objectives specified therein are not attained or, at least in one case, in the event of a decrease in a price index. Furthermore, there can be no assurance that the adjustments based upon increases in cost or price indices will fully compensate the Company for increases in labor and other costs that it may experience in fulfilling its contractual obligations. See "Business--Business Strategy," "--Services" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

**DEPENDENCE ON LABOR FORCE.** The Company's success is largely dependent on its ability to recruit, hire, train and retain qualified employees. The Company's industry is very labor intensive and has experienced high personnel turnover. A significant increase in the Company's employee turnover rate could increase the Company's recruiting and training costs and decrease operating effectiveness and productivity. Also, the addition of significant new clients or the implementation of new large-scale programs may require the Company to recruit, hire and train qualified personnel at an accelerated rate. There can be no assurance that the Company will be able to continue to hire, train and retain sufficient qualified personnel to adequately staff new customer care programs. Because a significant portion of the Company's operating costs relate to labor costs, an increase in wages, costs of employee benefits or employment taxes could have a material adverse effect on the Company's business, results of operations or financial condition. In addition, certain of the Company's facilities are located in geographic areas with relatively low unemployment rates, thus potentially making it more difficult and costly to hire qualified personnel. See "Business--Human Resources" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

**DEPENDENCE ON KEY PERSONNEL.** The Company's success to date has depended in large part on the skills and efforts of Kenneth D. Tuchman, the Company's founder, Chairman of the Board, President and Chief Executive Officer. There can be no assurance that the Company will be able to hire or retain the services of other officers or key employees. The loss of Mr. Tuchman or the Company's inability to hire or retain such other officers or key employees could have a material adverse effect on the Company's business, results of operations or financial condition. The Company's success and achievement of its growth plans depend on its ability to recruit, hire, train and retain other highly qualified technical and managerial personnel, including individuals with significant experience in the industries targeted by the Company. The inability of the Company to attract and retain the necessary technical and managerial personnel could have a material adverse effect on the Company's business, results of operations or financial condition. See "Management."

**DEPENDENCE ON KEY INDUSTRIES.** The Company's clients are concentrated primarily in the telecommunications, technology and transportation industries and, to a lesser extent, the health care and financial services industries. The Company's business and growth is largely dependent on the continued demand for the Company's services from these industries and current trends in such industries to outsource certain customer care services. A general economic downturn in any of these industries or a slowdown or reversal of the trend in any of these industries to outsource certain customer care services could have a material adverse effect on the Company's business, results of operations or financial condition. Additionally, a substantial percentage of the revenues generated by clients in the telecommunications industry relate to the Company's provision of legally required third-party verification of long-distance service sales. The elimination of this requirement as a result of changes in the law could have a material adverse effect on the Company's business, results of operations or financial condition. See "Business--Industry Background" and "--Markets and Clients."

**RISK OF BUSINESS INTERRUPTION.** The Company's operations are dependent upon its ability to protect its Call Centers, computer and telecommunications equipment and software systems against damage from fire,

power loss, telecommunications interruption or failure, natural disaster and other similar events. In the event the Company experiences a temporary or permanent interruption at one or more of its Call Centers, through casualty, operating malfunction or otherwise, the Company's business could be materially adversely affected and the Company may be required to pay contractual damages to some clients or allow some clients to terminate or renegotiate their contracts with the Company. While the Company maintains property and business interruption insurance, such insurance may not adequately compensate the Company for all losses that it may incur. See "Business--Operations."

**RISKS ASSOCIATED WITH TECHNOLOGY.** The Company's business is highly dependent on its computer and telecommunications equipment and software systems. The Company's failure to maintain the superiority of its technological capabilities or to respond effectively to technological changes could have a material adverse effect on the Company's business, results of operations or financial condition. The Company's future success also will be highly dependent upon its ability to enhance existing services and introduce new services or products to respond to changing technological developments. There can be no assurance that the Company can successfully develop and bring to market any new services or products in a timely manner, that such services or products will be commercially successful or that competitors' technologies or services will not render the Company's products or services noncompetitive or obsolete. See "Business--Technology."

**COMPETITION.** The market in which the Company competes is highly competitive and fragmented. The Company expects competition to persist and intensify in the future. The Company's competitors include small firms offering specific applications, divisions of large entities, large independent firms and, most significantly, the in-house operations of clients or potential clients. A number of competitors have or may develop greater capabilities and resources than those of the Company. Similarly, there can be no assurance that additional competitors with greater resources than the Company will not enter the Company's market. Because the Company's primary competitors are the in-house operations of existing or potential clients, the Company's performance and growth could be negatively impacted if its existing clients decide to provide in-house customer care services that currently are outsourced or if potential clients retain or increase their in-house customer service and product support capabilities. In addition, competitive pressures from current or future competitors could cause the Company's services to lose market acceptance or result in significant price erosion, with a material adverse effect upon the Company's business, results of operations or financial condition. See "Business--Competition."

**RISKS ASSOCIATED WITH ACQUISITIONS AND JOINT VENTURES.** One component of the Company's growth strategy is to pursue strategic acquisitions of companies that have services, products, technologies, industry specializations or geographic coverage that extend or complement the Company's existing business. There can be no assurance that the Company will be able successfully to identify, acquire on favorable terms or integrate such companies. If any acquisition is completed, there can be no assurance that such acquisition will enhance the Company's business, results of operations or financial condition. The Company may in the future face increased competition for acquisition opportunities, which may inhibit the Company's ability to consummate suitable acquisitions on terms favorable to the Company. A substantial portion of the Company's capital resources, including proceeds from the Offering, could be used for acquisitions. The Company may require additional debt or equity financing for future acquisitions, which financing may not be available on terms favorable to the Company, if at all. As part of its growth strategy, the Company may also pursue opportunities to undertake strategic alliances in the form of joint ventures. Joint ventures involve many of the same risks as acquisitions, as well as additional risks associated with possible lack of control of the joint ventures. See "Business--Growth Strategy."

The Company recently acquired Access 24 Service Corporation Pty Limited, an Australian company ("Access 24"). Certain of Access 24's services, now provided as part of the Company's health care and financial services strategic business units ("SBUs"), differ from the traditional outsourcing services of the Company's United States business. The Company also recently entered into a joint venture with a subsidiary of PPP Healthcare Group plc ("PPP") to provide services in the United Kingdom and Ireland similar to those provided by Access 24. The anticipated benefits of the Access 24 acquisition and the joint venture with

PPP, including the successful offering in the United States of services similar to those provided by Access 24, may not be achieved. See "Business--Markets and Clients--Health Care," "Business--Markets and Clients--Financial Services" and "Business--International Operations."

**RISK ASSOCIATED WITH INTERNATIONAL OPERATIONS AND EXPANSION.** As a result of the recent acquisition of Access 24 and the joint venture with PPP, the Company now conducts business in the United Kingdom, Australia and New Zealand. A key component of the Company's growth strategy is its continued international expansion. There can be no assurance that the Company will be able successfully to market, sell and deliver its services in international markets, or that it will be able successfully to acquire companies, or integrate acquired companies, to expand international operations. In addition, there are certain risks inherent in conducting international business, including exposure to currency fluctuations, longer payment cycles, greater difficulties in accounts receivable collection, difficulties in complying with a variety of foreign laws, unexpected changes in regulatory requirements, difficulties in staffing and managing foreign operations, political instability and potentially adverse tax consequences. There can be no assurance that one or more of such factors will not have a material adverse effect on the Company's international operations and, consequently, on the Company's business, results of operations or financial condition. See "Business-- Growth Strategy" and "--International Operations."

**VARIABILITY OF QUARTERLY OPERATING RESULTS.** The Company has experienced, and in the future could experience, quarterly variations in revenues as a result of a variety of factors, many of which are outside the Company's control, including: the timing of new contracts; the timing of new product or service offerings or modifications in client strategies; the expiration or termination of existing contracts; the timing of increased expenses incurred to obtain and support new business; changes in the Company's revenue mix among its various service offerings; and the seasonal pattern of certain of the businesses serviced by the Company. In addition, the Company's planned staffing levels, investments and other operating expenditures are based on revenue forecasts. If revenues are below expectations in any given quarter, the Company's operating results would likely be materially adversely affected for that quarter. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Quarterly Results."

**GOVERNMENT REGULATION.** Because the Company's current business consists primarily of responding to inbound telephone calls, it is not highly regulated. However, in connection with the limited amount of outbound telemarketing services that it provides, the Company is required to comply with the Federal Communications Commission's rules under the Federal Telephone Consumer Protection Act of 1991 and the Federal Trade Commission's regulations under the Federal Telemarketing and Consumer Fraud and Abuse Prevention Act of 1994, both of which govern telephone solicitation. In the event that the Company decides to expand its outbound telemarketing services, such rules and regulations would apply to a larger percentage of the Company's business. Furthermore, there may be additional federal or state legislation, or changes in regulatory implementation, that limit the activities of the Company or its clients in the future or significantly increase the cost of compliance. Additionally, the Company could be responsible for its failure, or the failure of its clients, to comply with regulations applicable to its clients.

**CONTROL BY PRINCIPAL STOCKHOLDER.** Following completion of the Offering, Kenneth D. Tuchman, the Company's Chairman, President and Chief Executive Officer, will beneficially own approximately 72.1% of the outstanding shares of Common Stock (approximately 70.5% if the Underwriters' over-allotment is exercised in full). As a result, Mr. Tuchman will continue to be able to elect the entire Board of Directors of the Company and to control substantially all other matters requiring action by the Company's stockholders. Such voting concentration may have the effect of discouraging, delaying or preventing a change in control of the Company. See "Principal and Selling Stockholders."

**NO PRIOR PUBLIC MARKET AND POSSIBLE VOLATILITY OF STOCK PRICE.** Prior to the Offering, there has been no public market for the Common Stock, and there can be no assurance that an active public market for the Common Stock will develop or be sustained after the Offering. The initial public offering price of the Common Stock offered hereby was determined by negotiations between the Company and the Underwriters based upon several factors. See "Underwriters" for a discussion of the factors considered in determining the initial public offering price. The market price of the Common Stock is likely to be highly volatile and could

be subject to wide fluctuations in response to quarterly variations in operating results, announcements of new contracts or contract cancellations, announcements of technological innovations or new products or services by the Company or its competitors, changes in financial estimates by securities analysts or other events or factors. In addition, the stock market has experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many companies and that have often been unrelated to the operating performance of such companies. These broad market fluctuations may adversely affect the market price of the Common Stock. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against such a company. Any such litigation instigated against the Company could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Company's business, results of operations or financial condition.

**SHARES ELIGIBLE FOR FUTURE SALE.** The sale of a substantial number of shares of Common Stock, or the perception that such sales could occur, could adversely affect prevailing market prices of the Common Stock. The Company is unable to make any prediction as to the effect, if any, that future sales of Common Stock or the availability of Common Stock for sale may have on the market price of the Common Stock prevailing from time to time. In addition, any such sale or such perception could make it more difficult for the Company to sell equity securities or equity related securities in the future at a time and price that the Company deems appropriate. Upon completion of the Offering, the Company will have outstanding an aggregate of 55,046,240 shares of Common Stock, excluding shares of Common Stock issuable upon exercise of outstanding options. The Common Stock offered hereby will be freely tradeable (other than by an "affiliate" of the Company as such term is defined under the Securities Act of 1933, as amended (the "Securities Act")) without restriction or registration under the Securities Act. All remaining outstanding shares of Common Stock may be sold under Rule 144 or Regulation S promulgated under the Securities Act, subject to the holding period, volume, manner of sale and other restrictions of Rule 144 or Regulation S and subject in certain cases to 180-day lock-up agreements with the Underwriters. See "Description of Capital Stock," "Shares Eligible for Future Sale" and "Underwriters."

**DILUTION.** Investors participating in the Offering will incur immediate, substantial dilution. To the extent outstanding options to purchase the Company's Common Stock are exercised, there will be further dilution. See "Dilution."

**ANTI-TAKEOVER PROVISIONS.** The Board of Directors has the authority to issue up to 10,000,000 shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any vote or action by the stockholders. The rights of the holders of the Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of the preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of the outstanding voting stock of the Company. The Company has no present plan to issue any additional shares of preferred stock. Furthermore, certain provisions of the Company's Restated Certificate of Incorporation and By-laws and of Delaware law could delay or make difficult a merger, tender offer or proxy contest involving the Company. See "Description of Capital Stock."



#### USE OF PROCEEDS

The net proceeds to TeleTech from the sale of the 4,000,000 shares of Common Stock being offered by TeleTech are estimated to be approximately \$ , after deducting underwriting discounts and commissions and estimated offering expenses. TeleTech will not receive any proceeds from the sale of shares of Common Stock by the Selling Stockholders. See "Principal and Selling Stockholders." TeleTech intends to use the net proceeds it will receive from the Offering primarily for working capital and general corporate purposes, including the purchase of computer hardware and software needed to equip and open additional Call Centers and expand existing Call Centers. In addition, TeleTech intends to use a portion of the net proceeds of the Offering to repay outstanding short-term indebtedness under its \$15 million unsecured revolving line of credit, which expires on May 31, 1998. Outstanding borrowings under this line of credit bear interest at various rates, selected by TeleTech at the time a draw is made. On May 17, 1996, a total of \$6.0 million was outstanding under this line of credit, of which \$3.5 million bears interest at a rate of 6.6875% and \$2.5 million bears interest at a rate of 6.63%. The proceeds of such outstanding indebtedness have been used by TeleTech for general corporate purposes. See note 6 to the Financial Statements. A portion of the net proceeds also may be used for the acquisition of businesses, products and technologies that extend or complement TeleTech's existing business; however, TeleTech has no current plans, agreements or commitments and is not currently engaged in any negotiations with respect to any such transaction. Pending such uses, TeleTech plans to invest the net proceeds, other than net proceeds used to repay short-term indebtedness, in investment grade, interest bearing securities.

#### DIVIDEND POLICY

In 1995 TeleTech paid a dividend of approximately \$452,000 to its principal stockholder. TeleTech does not expect to pay dividends on its Common Stock in 1996 or in the foreseeable future. The Board of Directors anticipates that all cash flow generated from operations in the foreseeable future will be retained and used to develop and expand TeleTech's business. Any future payment of dividends will depend upon TeleTech's results of operations, financial condition, cash requirements and other factors deemed relevant by the Board of Directors.

## CAPITALIZATION

The following table sets forth as of March 31, 1996 the Company's (i) actual short-term debt and capitalization, (ii) short-term debt and capitalization on a pro forma basis after giving effect to the Preferred Stock Conversion and (iii) short-term debt and capitalization as adjusted to reflect the sale of Common Stock offered hereby (at an assumed initial offering price of \$        per share and after deducting the estimated underwriting discounts and commissions and the Offering expenses payable by the Company) and the application of the net proceeds therefrom as described herein under "Use of Proceeds."

	MARCH 31, 1996		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
(UNAUDITED, IN THOUSANDS)			
Short-term debt and current portion of long-term debt.....	\$ 5,819	\$ 5,819	
Long-term debt, net of current portion (1).....	\$ 6,536	\$ 6,536	
Mandatorily redeemable convertible preferred stock, par value \$6.45 per share (2).....	13,079	--	
Stockholders' equity:			
Common stock, par value \$.002 per share (3).....	83	102	
Additional paid-in capital.....	7,401	20,461	
Cumulative translation adjustment.....	141	141	
Restricted stock.....	(380)	(380)	
Retained earnings.....	2,584	2,584	
Total stockholders' equity.....	9,829	22,908	
Total capitalization.....	\$ 29,444	\$ 29,444	

(1) See notes 4, 5 and 7 to the Financial Statements contained elsewhere herein for information regarding the Company's long-term debt.

(2) The 1,860,000 shares of mandatorily redeemable convertible preferred stock, including accrued dividends thereon of \$1.1 million, will be converted into 9,300,000 shares of Common Stock. See note 11 to the Financial Statements contained elsewhere herein.

(3) Does not include 7,750,000 shares reserved for issuance upon exercise of outstanding options under the TeleTech Holdings, Inc. Stock Plan (the "Option Plan") and the TeleTech Holdings, Inc. Directors Stock Option Plan (the "Directors Option Plan") and for future awards thereunder. At May 15, 1996, options to acquire 4,743,500 shares were outstanding under the Option Plan and options to acquire 225,000 shares were outstanding under the Directors Option Plan, which options have a weighted average exercise price of \$4.68 per share and \$5.00 per share, respectively. See "Management--Compensation of Directors," "Management--Executive Compensation" and "TeleTech Stock Option Plan."

# DILUTION

The net tangible book value of TeleTech as of March 31, 1996, after giving effect to the five-for-one stock split and the Preferred Stock Conversion, was \$16,635,826, or \$0.33 per share of Common Stock. "Net tangible book value" per share is equal to the aggregate tangible assets of TeleTech less its aggregate liabilities, divided by the total number of shares of Common Stock outstanding on March 31, 1996. After giving effect to the estimated net proceeds to TeleTech of the Offering, the pro forma net tangible book value of TeleTech as of March 31, 1996 would have been approximately \$ , or \$ per share of Common Stock. This represents an immediate increase in net tangible book value per share of \$ to existing stockholders and an immediate dilution in net tangible book value per share of \$ to purchasers of Common Stock in the Offering, as illustrated in the following table:

Assumed initial public offering price per share.....		\$
Net tangible book value per share at March 31, 1996.....	\$ 0.33	
Increase in net tangible book value per share attributable to new investors.....		-----
Pro forma net tangible book value per share after the Offering.....		\$
		-----
Dilution per share to new investors.....		\$
		-----
		-----

TeleTech has reserved 7,750,000 shares of Common Stock, as adjusted to reflect the five-for-one stock split of the Company's Common Stock, for issuance upon exercise of outstanding options and future awards. As of May 15, 1996, there were outstanding options to purchase an aggregate of 4,743,500 shares of Common Stock under the Option Plan, at a weighted average price of \$4.68 per share, and outstanding options to purchase an aggregate of 225,000 shares of Common Stock under the Directors Option Plan, at a price of \$5.00 per share. Of the foregoing, options to purchase an aggregate of 472,085 shares of Common Stock are currently exercisable. See "Management--Stock Option Plan" and "Management--Compensation of Directors."

The following table sets forth as of May 15, 1996 the relative investments of the existing TeleTech stockholders and of the new investors, giving pro forma effect to (i) the sale by TeleTech of 4,000,000 shares and the sale by the Selling Stockholders of 2,000,000 shares of the Common Stock being offered hereby, at an assumed offering price of \$ per share, (ii) the five-for-one stock split and (iii) consummation of the Preferred Stock Conversion:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing stockholders.....	49,046,240	89%	\$	%	\$
New investors.....	6,000,000	11%		%	
Total.....	55,046,240	100%	\$	100%	

The foregoing table assumes no exercise of the Underwriters' over-allotment option and no exercise of the options outstanding at May 15, 1996. To the extent that any of such options are exercised, there will be further dilution to new investors.

## SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and the related notes appearing elsewhere in this Prospectus. The following table presents selected (a) consolidated and combined financial data for TeleTech for (i) the year ended January 31, 1992, which have been derived from reviewed financial statements; (ii) the year ended January 31, 1993, which have been derived from audited financial statements; (iii) the eleven months ended December 31, 1993, which have been derived from financial statements (including those set forth elsewhere in this Prospectus) that have been audited by Gumbiner, Savett, Finkel, Fingleson & Rose, Inc., independent public accountants (formerly Gumbiner Savett, Friedman and Rose, Inc.); (iv) each of the two years in the period ended December 31, 1995, which are derived from financial statements (including those set forth elsewhere in this Prospectus) that have been audited by Arthur Andersen LLP, independent public accountants; and (v) the three months ended March 31, 1995 and 1996; and (b) unaudited pro forma consolidated financial data for the year ended December 31, 1995. The selected financial data for the three months ended March 31, 1995 and 1996 are derived from unaudited financial statements that, in the opinion of management, include all adjustments, consisting principally of normal recurring accruals, necessary for a fair presentation of such data. The results for the three months ended March 31, 1996 are not necessarily indicative of the results expected for the full fiscal year.

[illegible]

	JANUARY 31,		DECEMBER 31,			MARCH 31, 1996	
	1993	1993	1994	1995		ACTUAL	PRO FORMA (5)
1992					PRO FORMA DECEMBER 31, 1995 (1)		
(UNAUDITED)					(UNAUDITED)		(UNAUDITED)
BALANCE SHEET DATA:							
Working capital							
(deficit).....	\$ 221	\$ (250)	\$ (228)	\$ (780)	\$ 11,305	\$ 8,341	\$ 5,380
Total assets.....	2,238	4,617	12,034	10,102	30,583	39,882	49,454
Long-term debt, net of							
current portion.....	828	1,416	3,528	2,463	3,590	5,468	6,536
Total stockholders'							
equity.....	338	394	942	2,197	3,791	8,220	9,829
							22,908

PRO FORMA AS  
ADJUSTED (6)

BALANCE SHEET DATA:  
Working capital  
(deficit)..... \$  
Total assets.....  
Long-term debt, net of  
current portion.....  
Total stockholders'  
equity.....

- (1) Reflects the consolidated operating results and financial position of Access 24 and its subsidiaries, which were acquired by the Company effective January 1, 1996, as if such acquisition had been completed on January 1, 1995. Costs and expenses of Access 24 have been reflected, for purposes of this presentation, as costs of services.
- (2) Includes the \$2.4 million pre-tax net proceeds of a one-time payment made by a former client to TeleTech in connection with such client's early termination of a contract.
- (3) During 1993 and 1994, the Company was an S corporation and, accordingly, was not subject to federal income taxes. Pro forma net income includes a provision for income taxes at an effective rate of 44.4% for the 11 months ended December 31, 1993 and 39.5% for the year ended December 31, 1994.
- (4) Calculated in the manner described in note 1 to the Financial Statements.
- (5) Reflects the conversion of 1,860,000 shares of Preferred Stock into 9,300,000 shares of Common Stock pursuant to the Preferred Stock Conversion.
- (6) Reflects the sale of 4,000,000 shares of Common Stock being offered by TeleTech at an assumed initial price to public of \$ per share (net of approximately \$ million of estimated offering expenses and underwriting discounts and commissions) and the application of the estimated net proceeds therefrom, including repayment of short-term indebtedness. See "Use of Proceeds" and "Capitalization."

PRO FORMA CONSOLIDATED CONDENSED FINANCIAL INFORMATION

The following unaudited pro forma consolidated condensed income statement gives effect to the acquisition of Access 24 as if it had occurred on January 1, 1995 and does not purport to represent what the Company's results of operations actually would have been if such transactions had in fact occurred on such date. See "Business--International Operations." The pro forma adjustments are based on currently available information and upon certain assumptions that management believes are reasonable under current circumstances. The unaudited pro forma consolidated financial information and accompanying notes should be read in conjunction with the Financials Statements and the related notes thereto, and other financial information pertaining to the Company and Access 24 including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--International Operations," included elsewhere in this Prospectus.

	YEAR ENDED DECEMBER 31, 1995		
	-----		
	TELETECH		
	-----	ACCESS 24	PRO FORMA
		-----	-----
		(UNAUDITED)	(UNAUDITED)
	-----		
	(IN THOUSANDS,	EXCEPT PER SHARE	
STATEMENT OF OPERATIONS DATA:	DATA)		
Revenues.....	\$ 50,467	\$ 10,239	\$ 60,706
Operating expenses.....	45,871	10,276(1)	56,147
	-----	-----	-----
Income (loss) from operations.....	4,596	(37)	4,559
Other income.....	2,489	295	2,784
Provision for income taxes.....	(2,929)	(424)	(3,353)
	-----	-----	-----
Net income (loss).....	\$ 4,156	\$ (166)	\$ 3,990
	-----	-----	-----
Pro forma net income per share.....	\$ .08		\$ .07
Shares used in computing pro forma net income per share (2).....	54,658		54,658

(1) Includes amortization of \$422,000 of goodwill arising on the Company's acquisition of Access 24, approximately \$300,000 associated with the opening of a Call Center in the United Kingdom and a \$141,000 write-off of an unrecoverable loan associated with the disposition of an unrelated business.

(2) Includes outstanding shares of common stock and common stock equivalents.

## OVERVIEW

TeleTech generates its revenues by providing customer care solutions, both from TeleTech-owned Call Centers (traditional outsourcing) and client-owned Call Centers (facilities management). The Company normally bills for its services based on the amount of time Representatives devote to a client's program and revenues are typically recognized as services are provided. The Company seeks to enter into multi-year contracts that cannot be terminated early except upon the payment of a contractually agreed amount. In 1995, revenues from multi-year contracts represented 64% of total revenues. In the second half of 1995, the Company signed large, multi-year contracts with United Parcel Service and CompuServe and obtained additional business from AT&T for programs commencing principally in the first quarter of 1996. Accordingly, management expects revenues from multi-year contracts to increase as a percentage of total revenues in 1996.

TeleTech's profitability is significantly influenced by its Call Center capacity utilization. The Company seeks to optimize new and existing Call Center capacity utilization during both peak and off-peak (night and weekend) periods to achieve maximum fixed cost absorption. The Company carefully plans the development and opening of new Call Centers to minimize the financial impact resulting from excess capacity.

The Company records costs specifically associated with client programs as costs of services. These costs, which include direct labor wages and benefits, telecommunication charges, sales commissions and certain facility costs, are primarily variable in nature. All other expenses of operations, including expenses attributable to technology support, sales and marketing, human resource management and other administrative functions and Call Center operational expenses that are not allocable to specific programs are recorded as selling, general and administrative ("SG&A") expenses. SG&A expenses tend to be either semi-variable or fixed in nature. Historically, the majority of the Company's operating expenses have consisted of labor costs. Accordingly, Representative wage rates, which comprise the majority of the Company's labor costs, have been and are expected to continue to be a key component of the Company's expenses.

The cost characteristics of TeleTech's traditional outsourcing programs differ significantly from the cost characteristics of its facilities management programs. Under facilities management programs, Call Centers are owned by the client but are staffed and managed by TeleTech. Accordingly, facilities management programs have higher costs of services as a percentage of revenues and lower SG&A expenses as a percentage of revenues than traditional outsourcing programs. As a result, the Company expects that its overall gross margin will fluctuate as revenues attributable to traditional outsourcing programs vary in proportion to revenues attributable to facilities management programs. Based on the foregoing, management believes that, for purposes of measuring profitability on a period-to-period basis, operating margin, which is income from operations expressed as a percentage of revenues, may be less subject to fluctuation as the proportion of the Company's business portfolio attributable to outsourcing contracts versus facilities management contracts changes.

TeleTech's revenues and income from operations have grown significantly over the past three years. During this period, the Company's revenues have grown from \$19.5 million for the 11 months ended December 31, 1993 to \$50.5 million for the year ended December 31, 1995 and operating margin has increased from 4.3% in 1993 to 9.1% in 1995. In the first quarter of 1996, the Company's operating margin rose to 12.4%. Management attributes this growth to the successful implementation of the Company's strategy of developing long-term strategic relationships with large corporate clients in targeted industries and the Company's resulting ability to spread its fixed costs over a larger revenue base.

The Company acquired Access 24 and its subsidiaries effective January 1, 1996 for consideration of \$2.3 million cash and 970,240 shares of Common Stock. Access 24's consolidated results of operations are included in the Company's operating results beginning with the first quarter of 1996. The operations of Access 24, which consist of inbound, client-branded customer care services, have been substantially integrated into TeleTech's operations. Access 24 typically bills its clients monthly, based on the number of

customers enrolled in a client's program, pursuant to multi-year agreements. Access 24 is headquartered in Sydney, Australia with Call Centers in Australia and New Zealand. On April 30, 1996, the Company sold a 50% interest in Access 24 Limited, the Company's United Kingdom subsidiary that owns and operates a Call Center in London, for \$3.8 million to PPP Healthcare Group plc, a subsidiary of a large private health insurer in the United Kingdom. The Company anticipates recognizing an after-tax gain of approximately \$1.6 million on this sale in the second quarter of 1996. TeleTech will account for its investment in Access 24 Limited as an unconsolidated subsidiary. See "Business--International Operations" and the Consolidated Financial Statements of Access 24 contained elsewhere in this Prospectus.

During 1993 and 1994, the Company was an S corporation and, accordingly, was not subject to income taxes. Pro forma net income includes a provision for federal income taxes at an effective rate of 44.4% for the 11 months ended December 31, 1993 and 39.5% for the year ended December 31, 1994.

#### RESULTS OF OPERATIONS

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

	PERIOD ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1993(1)	1994	1995	1995	1996
Revenues.....	100.0%	100.0%	100.0%	100.0%	100.0%
Costs of services.....	54.9	49.1	54.0	52.5	50.8
SG&A expenses.....	40.8	44.7	36.9	41.6	36.8
Income from operations.....	4.3	6.2	9.1	5.9	12.4
Other income (expenses).....	(1.5)	(1.4)	4.9(2)	22.5(2)	(2.1)
Provision for income taxes (3).....	--	--	(5.8)	(12.8)	(4.6)
Net income (3).....	2.8	4.8	8.2(2)	15.6(2)	5.7
Pro forma net income (3).....	1.5	2.9	8.2(2)	15.6(2)	5.7

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(1) Includes only eleven months due to a change in the Company's fiscal year end.

(2) Includes the \$2.4 million pre-tax net proceeds of a one-time payment made by a former client to TeleTech in the first quarter of 1995 in connection with such client's early termination of a contract (the "One-Time Payment").

(3) During 1993 and 1994, the Company was an S corporation and, accordingly, was not subject to federal income taxes. Pro forma net income includes a provision for income taxes at an effective rate of 44.4% for the 11 months ended December 31, 1993 and 39.5% for the year ended December 31, 1994.

#### THREE MONTHS ENDED MARCH 31, 1996 COMPARED TO THREE MONTHS ENDED MARCH 31, 1995

**REVENUES.** Revenues increased \$11.6 million, or 111.5%, to \$22.0 million for the first quarter of 1996 from \$10.4 million for the first quarter of 1995. This increase resulted from revenues of \$9.6 million generated from new clients and \$3.3 million in revenues of Access 24, which was acquired in the first quarter of 1996. These increases were partially offset by loss in revenues due to the expiration of certain contracts. The Company's program for Continental Airlines was completed in March 1996 and, due to Continental's excess in-house call center capacity, was not renewed. Revenues for the first quarter of 1996 reflect the first period in which the Burbank Call Center, which opened in February 1995, was fully utilized and additional capacity in the Denver Call Center, which was expanded in February 1996.

**COSTS OF SERVICES.** Costs of services increased \$5.7 million, or 104.7%, to \$11.2 million for the first quarter of 1996 from \$5.5 million for the first quarter of 1995. Costs of services decreased as a percentage of revenues to 50.8% for the first quarter of 1996 from 52.5% for the first quarter of 1995. This change was primarily due to increased productivity as revenues increased at a faster rate than personnel costs.

**SELLING, GENERAL AND ADMINISTRATIVE.** SG&A expenses increased \$3.8 million, or 87.2%, to \$8.1 million for the first quarter of 1996 from \$4.3 million for the first quarter of 1995. As a percentage of revenues,



SG&A expenses decreased to 36.8% for the first quarter of 1996 from 41.6% for the first quarter of 1995 reflecting economies of scale associated with spreading fixed and semi-variable costs over a larger revenue base. This decrease primarily resulted from a 3.5% decrease in wage expense as a percentage of revenues.

INCOME FROM OPERATIONS. Operating income increased \$2.1 million, or 343.2% to \$2.7 million in the first quarter of 1996 from \$0.6 million during the first quarter of 1995. Operating income as a percentage of revenues increased to 12.4% in the first quarter of 1996 from 5.9% in the same period in 1995.

OTHER INCOME (EXPENSES). Other income (expenses) decreased \$2.8 million, or (119.8%), to (\$464,000) million for the first quarter of 1996 from \$2.3 million for the first quarter of 1995. This decrease primarily resulted from the One-Time Payment.

NET INCOME. As a result of the foregoing factors, net income decreased \$370,000, or 27.7%, to \$1.3 million for the first quarter of 1996 from \$1.6 million for the first quarter of 1995. Excluding the One-Time Payment, net income for the three months ended March 31, 1995 would have been \$116,000. Accordingly, net income would have increased \$1.1 million, or 984.5%, in the first quarter of 1996 compared to the same period in 1995.

#### 1995 COMPARED TO PRO FORMA 1995

Pro forma 1995 reflects the combined operating results of TeleTech and Access 24, as if Access 24 had been acquired by TeleTech on January 1, 1995. For the 12 months ended December 31, 1995, Access 24 had revenue of \$10.2 million, a loss from operations of approximately \$37,000 and a net loss of \$166,000. The results for such period reflect amortization of \$422,000 of goodwill arising from the Company's acquisition of Access 24, approximately \$300,000 of expenses associated with the opening of a Call Center in the United Kingdom and a \$141,000 write-off of an unrecoverable loan associated with the disposition of an unrelated business. On April 30, 1996, the Company sold a 50% interest in the United Kingdom Call Center to PPP, a large private health insurer in the United Kingdom. See "Business--International Operations."

#### 1995 COMPARED TO 1994

REVENUES. Revenues increased \$15.0 million, or 42.3%, to \$50.5 million in 1995 from \$35.5 million in 1994, reflecting an increase in revenues from existing clients of approximately \$9.7 million and revenues from new clients of approximately \$7.6 million. These increases were partially offset by the expiration without renewal of certain other client contracts. See "Other Income (Expense)" below.

COSTS OF SERVICES. Costs of services increased \$9.8 million, or 56.5%, to \$27.2 million in 1995 from \$17.4 million in 1994. The increase resulted in part from the opening in February 1995 of the Company's Burbank Call Center. Costs of services also increased as a percentage of revenues to 54.0% in 1995 from 49.1% in 1994. The new Call Center was not fully utilized immediately after opening, resulting in an increase in Call Center expenses without a corresponding increase in revenues.

SELLING, GENERAL AND ADMINISTRATIVE. SG&A expenses increased \$2.8 million, or 17.4%, to \$18.6 million in 1995 from \$15.9 million in 1994. As a percentage of revenues, SG&A expenses decreased to 36.9% in 1995 from 44.7% in 1994. A substantial part of this change resulted from a 4.0% reduction in wage expense as a percentage of revenues.

INCOME FROM OPERATIONS. Income from operations increased \$2.4 million, or 109.3%, to \$4.6 million in 1995 from \$2.2 million 1994. Operating income as a percentage of revenues increased to 9.1% in 1995 from 6.2% in 1994.

OTHER INCOME (EXPENSES). Other income (expenses) increased \$3.0 million to \$2.5 million in 1995 from (\$481,000) in 1994. This increase resulted from the One-Time Payment as well as increased interest income attributable to the \$12.0 million proceeds received by the Company from the sale of Preferred Stock in 1995.

NET INCOME AND PRO FORMA NET INCOME. Net income increased \$2.5 million, or 145.2%, to \$4.2 million in 1995 from \$1.7 million in 1994. As a result of the foregoing factors, net income in 1995 increased \$3.1

million, or 300.7%, to \$4.2 million from pro forma net income of \$1.0 million in 1994. Excluding the One-Time Payment, net income for 1995 would have been \$2.6 million. Accordingly, net income for 1995 would have increased \$1.6 million, or 60%, over pro forma income of \$1.0 million for 1994.

#### 1994 COMPARED TO 1993

During 1993, the Company changed its fiscal year to December 31. As a result, the 1993 fiscal year consists of the eleven months ended December 31, 1993.

**REVENUES.** Revenues increased \$15.9 million, or 81.7%, to \$35.5 million in 1994 from \$19.5 million in 1993. This increase consisted primarily of \$14.2 million of revenues generated from new clients, with the remaining increase generated from existing clients. The increase reflects a full year of operations of the Denver Call Center, which generated \$13.9 million of revenue in 1994 versus \$2.9 million of revenue in 1993.

**COSTS OF SERVICES.** Costs of services increased \$6.7 million, or 62.3%, to \$17.4 million in 1994 from \$10.7 million in 1993. Costs of services decreased as a percentage of revenues to 49.1% in 1994 from 55.0% in 1993. Much of this percentage decrease resulted from an increased proportion of services being performed in 1994 for higher-margin client programs compared to in 1993.

**SELLING, GENERAL AND ADMINISTRATIVE.** SG&A expenses increased \$7.9 million, or 99.3%, to \$15.9 million in 1994 from \$8.0 million in 1993. SG&A expenses increased as a percentage of revenues to 44.7% in 1994 from 40.8% in 1993. Much of this increase resulted from increased compensation expense associated with growth in administrative functions necessary to support projected expansion.

**INCOME FROM OPERATIONS.** Income from operations increased \$1.4 million, or 162.1%, to \$2.2 million in 1994 from \$837,000 in 1993. Operating income as a percentage of revenues increased to 6.2% in 1994 from 4.3% in 1993.

**PRO FORMA NET INCOME.** As a result of the foregoing factors, and a decrease in the effective tax rate to 39.5% for the year ended December 31, 1994 from 44.4% for the 11 months ended December 31, 1993, pro forma net income increased \$738,000, or 247.2%, to \$1.0 million in 1994 from \$299,000 in 1993.

#### QUARTERLY RESULTS

The information set forth below is derived from unaudited quarterly operating results of the Company for each quarter of 1994 and 1995 and the first quarter of 1996. The data has been prepared by the Company on a basis consistent with the Financial Statements included elsewhere in this Prospectus and includes all adjustments, consisting principally of normal recurring accruals, that the Company considers necessary for a fair presentation thereof. These operating results are not necessarily indicative of the Company's future performance.

	THREE MONTHS ENDED							
	1994				1995			
	MAR 31	JUN 30	SEP 30	DEC 31	MAR 31(1)	JUN 30	SEP 30	DEC 31
	(IN THOUSANDS, EXCEPT PER SHARE DATA)							
Revenues.....	\$ 8,976	\$ 8,406	\$ 8,080	\$ 10,000	\$ 10,412	\$ 11,879	\$ 12,692	\$ 15,484
Costs of services.....	4,715	4,314	3,719	4,658	5,469	6,407	6,899	8,471
SG&A expenses.....	3,556	4,014	3,702	4,588	4,329	4,265	4,575	5,456
Income from operations.....	705	78	659	754	614	1,207	1,218	1,557
Other income (expenses).....	(118)	(154)	(102)	(107)	2,338(1)	35	38	78
Provision for income taxes.....	(15)	3	(2)	(6)	(1,324)	(449)	(394)	(762)
Net income.....	572	(73)	555	641	1,628	793	862	873
Pro forma net income (2).....	359	(49)	336	391	1,628	793	862	873
Pro forma net income per share...	.01	--	.01	.01	.03	.01	.02	.02
Weighted average shares outstanding.....	44,085	44,085	44,085	44,085	54,586	54,682	54,682	54,682
	1996							
	MAR 31							
Revenues.....	\$ 22,019							
Costs of services.....	11,194							
SG&A expenses.....	8,102							
Income from operations.....	2,723							
Other income (expenses).....	(464)							
Provision for income taxes.....	(1,001)							
Net income.....	1,258							
Pro forma net income (2).....	1,258							
Pro forma net income per share...	.02							
Weighted average shares outstanding.....	54,682							

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

	THREE MONTHS ENDED								
	1994				1995				1996
	MAR 31	JUN 30	SEP 30	DEC 31	MAR 31	JUN 30	SEP 30	DEC 31	MAR 31
Revenues.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Costs of services.....	52.5	51.3	46.0	46.6	52.5	53.9	54.4	54.7	50.8
SG&A expenses.....	39.6	47.8	45.8	45.9	41.6	35.9	36.0	35.2	36.8
Income from operations....	7.9	0.9	8.2	7.5	5.9	10.2	9.6	10.1	12.4
Other income (expenses)...	(1.3)	(1.8)	(1.3)	(1.0)	22.4(1)	0.3	0.3	0.5	(2.1)
Provision for income taxes.....	0.2	--	--	--	(12.7)	(3.8)	(3.1)	(4.9)	(4.6)
Net income.....	6.4	(0.9)	6.9	6.5	15.6(1)	6.7	6.8	5.7	5.7
Pro Forma net income.....	4.0	(0.6)	4.2(2)	3.9(2)	15.6	6.7	6.8	5.7	5.7

(1) Includes the One-Time Payment.

(2) During 1993 and 1994, the Company was an S corporation and, accordingly, was not subject to federal income taxes. Pro forma net income includes a provision for income taxes at an effective rate of 44.4% for the 11 months ended December 31, 1993 and 39.5% for the year ended December 31, 1994.

The Company has experienced and in the future could experience quarterly variations in revenues as a result of a variety of factors, many of which are outside the Company's control, including: the timing of new contracts, the timing of new product or service offerings or modifications in client strategies; the expiration or termination of existing contracts; the timing of increased expenses incurred to obtain and support new business; changes in the Company's revenue mix among its various service offerings; and the seasonal pattern of certain of the businesses serviced by the Company. In addition, the Company's planned staffing levels, investments and other operating expenditures are based on revenue forecasts. If revenues are below expectations in any given quarter, the Company's financial results would likely be materially adversely affected for that quarter.

For the quarterly periods in 1994, revenues fluctuated principally due to a reduction in services provided for, and the ultimate termination of, a large client program in the first half of 1994. The decrease in revenues from this client program was partially offset by revenues from new client programs throughout 1994 and fully offset in the fourth quarter of 1994 by revenues relating to increased services for new and existing clients. The quarterly revenue increases throughout 1995 and the first quarter of 1996 reflect increased services provided for existing clients and the addition of certain new programs.

In 1994, costs of services declined from 52.5% of revenues in the first quarter to 46.6% in the fourth quarter due to the implementation of certain higher margin programs as well as the lower wages that were paid to Representatives during the training phase of several new programs. The increase in costs of services from 46.6% of revenues in the fourth quarter of 1994 to 52.5% in the first quarter of 1995 resulted from a change in the allocation of certain costs from SG&A expenses to costs of services. For the final three quarters of 1995, costs of services ranged between 53.9% and 54.7% of revenues, but declined to 50.8% in the first quarter of 1996 due to increased productivity resulting from higher Call Center capacity utilization.

SG&A expenses increased from 39.6% of revenues in the first quarter of 1994 to 47.8% in the second quarter of 1994 due to a lower revenue base, costs associated with the relocation of the Company's corporate offices to Denver, Colorado and increased management staffing to support the Company's growth. SG&A expenses decreased to 45.8% of revenues in the third quarter of 1994, due principally to lower travel and advertising costs, and 45.9% of revenues in the fourth quarter of 1994 as fixed and semi-variable costs were spread over a larger revenue base. Despite a shift of certain costs from SG&A expenses to costs of services in the first quarter of 1995, SG&A expenses as a percentage of revenues were essentially unchanged due to increased overhead costs associated with establishing the Company's Burbank Call Center without a corresponding increase in revenues for the first quarter of 1995. Once the Burbank Call Center became fully operational in the second quarter of 1995, SG&A expenses as a percentage of revenues ranged from 35.2% to 36.8% from the second quarter of 1995 through the first quarter of 1996.

Income from operations fluctuated within the quarterly periods primarily based on the factors noted above. Additionally, other income (expenses) increased to \$2.3 million in the first quarter of 1995 due to the One-Time Payment. The provision for income taxes in the first quarter of 1995 reflects the impacts of the One-Time Payment and the Company's change from an S corporation to a C corporation.

#### LIQUIDITY AND CAPITAL RESOURCES

Historically, TeleTech has funded its operations and capital expenditures primarily through cash flow from operations, borrowings under several lines of credit and the sale of \$12.0 million of Preferred Stock in January 1995. The Company has a \$15.0 million unsecured revolving operating line of credit, which expires on May 31, 1998. Borrowings under this line bear interest at various rates that are selected by TeleTech each time a draw is made. At May 17, 1996, outstanding borrowings under this facility were \$6.0 million, which accrue interest at rates varying from 6.63% to 6.6875%. Borrowings under this line have been made primarily to fund working capital. Under this line of credit, the Company has agreed to maintain certain financial ratios and has agreed that, during any fiscal year during which the line remains in place, it will not incur operating lease expenses or make investments in fixed assets or in capital leases in excess of \$15.0 million in the aggregate.

In addition, the Company has two master lease agreements. Under one agreement, the Company may lease equipment up to an aggregate value of \$15.0 million. As of March 31, 1996, amounts outstanding under this agreement were approximately \$3.4 million. Lease rates under this agreement are based upon a 125 basis points spread over 3-year U.S. Treasury notes. Under the second agreement, the Company's borrowings are approved, and specific terms are set, on a case-by-case basis. As of March 31, 1996, the total amount outstanding under this agreement was approximately \$921,855.

Cash provided by operating activities was \$1.5 million for the first quarter of 1996, \$4.1 million in 1995 and \$3.6 million in 1994. From the beginning of 1994 through the first quarter of 1996, the Company generated an aggregate of \$9.3 million in cash from operating activities, consisting of \$12.0 million of total net income before depreciation, amortization and other non-cash charges, offset in part by \$(2.7) million changes in working capital. Changes in working capital consist primarily of fluctuations in accounts receivable, accounts payable and accruals arising from the growth of the Company's operations.

The amount of cash used by the Company in investing activities was \$3.0 million for the first quarter of 1996 and \$12.1 million and \$1.9 million for 1995 and 1994, respectively. In the first quarter of 1996, the Company's capital expenditures were \$3.3 million and the Company used \$2.3 million for the Access 24 acquisition while short-term investments decreased by \$2.5 million. In 1995, the Company's capital expenditures were \$1.7 million and the Company's short-term investments increased by \$10.4 million. In 1994, capital expenditures were \$1.9 million. Historically, capital expenditures have been, and future capital expenditures are anticipated to be, primarily for the development of Call Center facilities and the acquisition of equipment to support expansion of the Company's existing Call Centers and expansion of and improvements to the Company's call and data management systems and management information systems. Capital expenditures, including new capital leases, equaled \$5.8 million and \$2.1 million in 1995 and 1994, respectively. The Company currently expects to make capital expenditures in 1996 of approximately \$26 million, \$3.3 million of which was spent during the first quarter.

Cash provided by financing activities for the first quarter of 1996 was \$2.1 million, representing borrowings on the Company's line of credit, net of capital lease payments. In 1995, cash provided by financing activities of \$8.0 million resulted primarily from the sale of \$12.0 million of Preferred Stock in January 1995, which was partially offset by \$2.8 million of loan repayments, tax distributions and dividends paid by the Company to its principal stockholder. In 1994, the Company used \$1.7 million for financing activities, consisting primarily of repayments on the Company's bank line of credit and other long-term debt.

The Company believes that the net proceeds of the Offering, together with cash from operations, existing cash and available borrowings under its line of credit and master lease agreements, will be sufficient to finance the Company's current operations, planned capital expenditures and anticipated growth at least through 1997. However, if the Company were to make any significant acquisitions for cash, it may be necessary for the Company to obtain additional debt or equity financing. Any sale of additional equity or equity-related securities could result in additional dilution to the Company's stockholders.

## BUSINESS

TeleTech is a leading provider of customer care solutions for Fortune 1000 companies. Customer care encompasses a wide range of customer acquisition, retention and satisfaction programs designed to maximize the lifetime value of the relationships between TeleTech's clients and their customers. TeleTech's customer care programs involve all stages of the customer lifecycle and usually consist of a variety of customer service and technical and product support activities, such as product information, program enrollment, help desk support, account inquiries, problem resolution and satisfaction assessments. TeleTech works closely with its clients to rapidly design and implement large scale, tailored customer care programs that provide integrated, comprehensive solutions to specific business needs.

TeleTech delivers its customer care services primarily through customer-initiated ("inbound") telephone calls and also over the Internet. Services are provided by trained customer care representatives ("Representatives") in TeleTech call centers ("Call Centers") in response to an inquiry that a customer makes by calling a toll-free telephone number or by sending an Internet message. Representatives respond to these inquiries utilizing state-of-the-art workstations that leverage TeleTech's advanced technology platform and enable them to provide rapid, single-call resolution. This platform incorporates digital switching, client/server technology, object-oriented software modules, relational database management systems, proprietary call tracking management software, computer telephony integration ("CTI") and interactive voice response (IVR). TeleTech's services generally are provided on either a fully outsourced or facilities management basis.

TeleTech seeks to establish long-term, strategic relationships, typically formalized by multi-year contracts, with selected clients in the telecommunications, technology, transportation, health care and financial services industries. TeleTech targets clients in these industries because of their complex product and service offerings and large customer bases, which require frequent, often sophisticated, customer interactions. The Company recently entered into significant, multi-year contracts with CompuServe and United Parcel Service and has obtained additional business from AT&T. Additional clients include Apple Computer, Bell Atlantic, Novell, NYNEX and Wells Fargo Bank.

The Company was founded in 1982 and has been providing inbound customer care solutions since its inception. Since January 1995, the Company has opened, acquired or initiated management of seven Call Centers. As of April 30, 1996, TeleTech owned, leased or managed nine Call Centers in the United States, the United Kingdom, Australia and New Zealand equipped with a total of 4,560 state-of-the-art workstations. TeleTech currently plans to open two additional Call Centers and expand an existing Call Center by the end of 1996. In the first quarter of 1996, approximately 95% of the Company's call handling revenues were derived from inbound inquiries. TeleTech's revenues increased 42.3% to \$50.5 million in 1995 from \$35.5 million in 1994. In the first quarter of 1996 revenues increased 111.5% to \$22.0 million from \$10.4 million in the same period of 1995.

## INDUSTRY BACKGROUND

Companies today are finding it increasingly difficult to satisfy their customers' needs for service and information. As products and services become more complex and product and service choices multiply, customers require more information to make intelligent purchase decisions and to use products and services properly. In addition, customers have less time to shop for, evaluate and learn how to use new products and services, driving demand for faster and better service. While these trends have been evolving, the burden of providing personalized customer service has largely shifted from traditional retailers to product manufacturers and service providers. Also, many companies have realized that retaining customers generally is more profitable than acquiring new customers. As a result of these and other factors, the Company believes that customer care has become a clear competitive differentiator and that consumers increasingly consider the relative effectiveness, ease of use and responsiveness of customer service and product support when evaluating comparable products or services.

Many companies find it difficult to provide high quality customer service and product support without diverting significant resources away from their core businesses. Historically, companies have provided

customer service in-house because they believed that the "customer interface" was too critical to be outsourced. Many now acknowledge that they do not have the core competencies or are unwilling to invest the substantial resources necessary to provide high quality, inbound customer care services on a timely, cost effective basis. As a result, a large and rapidly growing customer care outsourcing industry has emerged. Industry sources estimate that telephone-based direct marketing expenditures were \$80 billion in 1995 with roughly 95% of the industry comprised of captive (in-house) telemarketing organizations. Management believes that large corporations are increasingly outsourcing their telephone-based marketing and customer services activities as part of an overall effort to focus internal resources on their core competencies, improve operating efficiencies and reduce costs. This is particularly true in industries that are undergoing deregulation and increased competition.

Although there are many independent teleservices firms, most are small, single facility operations that primarily provide outbound services. Many currently do not have the financial resources, industry expertise, technological capabilities, human resources or facilities to provide high-quality, inbound customer care. TeleTech believes that companies considering outsourcing their customer care activities increasingly are seeking a strategic partner that can understand their business, can provide a comprehensive range of services, and has the flexibility, scalability, management expertise, facilities and technological and educational resources to serve their customers' long-term needs effectively and efficiently.

#### THE TELETECH SOLUTION

TeleTech develops and implements strategic customer care solutions designed to improve the lifetime value of its clients' customers by enhancing customer satisfaction and promoting long-term loyalty, which in turn can increase each client's revenues and profitability. The Company devotes significant resources to understanding a client's industry, products, services, processes and culture and then designs programs to (i) improve the quality of customer interactions, (ii) capture customer data and feedback, (iii) reduce the operating costs associated with the delivery of customer service and product support, (iv) minimize the client's required investment in and technology risks associated with operating in-house call centers, (v) eliminate the need to manage large numbers of call center employees and (vi) enable clients to focus on their core competencies. These programs address inbound customer interactions in a manner that is seamless with the client's operations and transparent to the customers. TeleTech effectively delivers these programs by rapidly deploying the technology and human resources required to implement and manage comprehensive, integrated customer care solutions.

TeleTech strives to be a strategic partner to its clients. TeleTech believes that its willingness to invest resources to identify the customer needs of a potential client and its ability to quickly understand the fundamental operations of a client's business differentiate TeleTech from its competitors and enable it to offer unique and effective customer care solutions. By fully understanding a client's industry, products, services, processes and culture, TeleTech can design customized solutions that add value to a client's day-to-day interactions with its customers. Additionally, TeleTech's responsive, flexible and scalable technology platform enables it to design customer care programs that can be adapted quickly and cost effectively to meet changing client and customer needs. TeleTech's open-systems, client/server technology can be integrated with its clients' information systems, enabling data captured from customer interactions to be reviewed and analyzed by TeleTech and its clients on a real-time basis.

#### BUSINESS STRATEGY

Key elements of the Company's business strategy are to:

##### ENHANCE CLIENTS' RELATIONSHIPS WITH THEIR CUSTOMERS THROUGH INNOVATIVE CUSTOMER CARE SOLUTIONS

The Company believes that enhancing the client's relationship with its customers at each stage of the customer lifecycle is crucial to providing a value-added solution to a client's customer service and product support needs. TeleTech works closely with its clients to identify the particular needs of their customers, design appropriate solutions and implement specially tailored customer care programs. TeleTech's solutions are designed to be cost effective and to improve the quality of customer interactions and foster lifetime

customer loyalty. As part of its integrated solutions, TeleTech collects and disseminates customer information to enable its clients to analyze and better manage their customer bases while identifying new revenue generating opportunities.

#### DEVELOP LONG-TERM STRATEGIC RELATIONSHIPS WITH LARGE CLIENTS IN TARGETED INDUSTRIES

TeleTech seeks to develop long-term strategic relationships with large corporate clients in targeted industries. The Company focuses on industries containing companies with complex product and service offerings and with large customer bases that require frequent, often sophisticated, customer interactions. In establishing long-term strategic relationships with its clients, TeleTech seeks to enter into multi-year contracts that generate recurring revenues for TeleTech and allow the Company to leverage its technology, human resource and training investments. The Company has established strategic business units ("SBUS"), with specialized business development personnel, that target the telecommunications, technology, transportation, health care and financial services industries.

#### APPLY FLEXIBLE, INNOVATIVE TECHNOLOGICAL SOLUTIONS

TeleTech's technological expertise and scalable open-systems, client/server architecture enable the Company to rapidly design customized customer care programs, achieve seamless integration with its clients' information systems and adapt quickly to new technologies. The Company seeks to differentiate itself from in-house and other outsourced competitive service providers by creatively employing hardware configurations and software applications to add flexibility and responsiveness to its clients' customer service and product support processes. TeleTech leverages its experience in the development of customized software applications by combining industry-leading operating software with its extensive library of proprietary, object-oriented applications to rapidly and cost-effectively design intuitive, user-friendly custom software applications.

#### IMPLEMENT AND MAINTAIN SUPERIOR OPERATIONAL PROCESSES

To manage its growth and provide high levels of client service, the Company is committed to implementing and maintaining superior operational processes capable of efficiently executing customer care programs. Recognizing that it is providing one of the client's most important and sensitive functions, the Company adheres to a rigorous framework of quality processes based on ISO 9002, an internationally recognized series of quality assurance standards, to ensure successful on-going delivery of client programs. The Company designs and builds its Call Centers based on a standardized model to provide efficient, fully-integrated operations while increasing employee productivity. By linking its Call Centers together into a seamless wide area network (WAN), the Company also ensures rapid transfer of voice and data information to provide additional call capacity and disaster recovery, as needed.

#### MAINTAIN EXCELLENCE IN HUMAN RESOURCE AND CALL CENTER MANAGEMENT

The Company believes that its ability to attract, hire, train and manage its employees and efficiently manage its Call Centers is critical to its ability to develop new and maintain existing long-term client relationships. TeleTech uses proprietary software to automate much of its hiring, training, quality assurance and staffing management functions. In an effort to reduce turnover and improve the quality of its services, the Company devotes significant resources to attracting and hiring skilled employees and provides extensive initial and on-going product and service training. The Company's Representatives generally are full-time and dedicated to a single client program. Representatives receive from one to five weeks of on-site training in TeleTech's or the client's training facilities before handling customer interactions, plus a minimum of six to eight hours per month of ongoing training. Representatives often receive supplemental laboratory training as needed to provide a specific customer service successfully.

#### GROWTH STRATEGY

The Company's growth strategy is designed to capitalize on the increasing demand for outsourced customer care solutions and to maintain and expand its leadership position in its industry. The Company's primary growth strategies are to:

#### EXPAND SERVICES PROVIDED TO EXISTING CLIENTS AND ESTABLISH NEW RELATIONSHIPS IN TARGETED INDUSTRIES

The Company believes it has substantial opportunities to expand services provided to existing clients and obtain new clients within its currently targeted industries. Specifically, the Company is focusing on opportunities to expand existing programs while cross-selling TeleTech's services to other divisions or operations within its existing clients' organizations. For example, TeleTech implemented its initial program for AT&T in 1991 and has since expanded its relationship to include four separate programs for various AT&T products and services. As part of its SBU strategy, the Company also is focusing on developing new relationships with companies within its targeted industries.

#### DEVELOP NEW PRODUCTS AND SERVICES

Continued rapid technological advances, coupled with the on-going evolution in retail and product distribution trends, will create new opportunities for TeleTech. TeleTech expects that the proliferation of new interactive media will provide more sophisticated customer interactions and additional opportunities to provide expanded services to customers. TeleTech intends to capitalize on these trends by developing new products and services, such as database marketing solutions and real-time interactive support for Web sites on the Internet.

#### EXPAND INTO NEW INDUSTRIES AND GEOGRAPHIC MARKETS

TeleTech has identified additional industries that are experiencing many of the same trends affecting its currently targeted industries and may establish new SBUs to focus on evolving market opportunities. In addition, the Company believes that trends toward increased customer care and recognition of the benefits of outsourcing, which have been experienced in the U.S., are occurring in international markets. TeleTech also believes that many multi-national companies, including several of its existing clients, are seeking a single provider of world-wide customer care solutions. To capitalize on these international opportunities, the Company intends to further expand its operations outside of the United States.

#### SELECTIVELY PURSUE COMPLEMENTARY ACQUISITIONS

The Company may selectively acquire complementary companies that extend its presence into new geographic markets or industries, expand its client base, add new product or service applications or provide substantial operating synergies. The Company believes that there will be many potential domestic and international acquisition opportunities as the teleservices industry consolidates and as large corporations consider selling their existing call center facilities and operations. For example, the Company may consider acquiring a primarily outbound teleservices provider that could provide substantial operating synergies and improve Call Center utilization during the currently underutilized off-peak (night and weekend) periods resulting from the Company's focus on inbound interactions.

#### SERVICES

TeleTech offers a wide range of services designed to provide superior customer care. An integral component of these services is process reengineering, by which the Company develops and applies enhanced processes to make a client's customer service or product support processes more cost-effective, productive and valuable. At the start of a potential new client relationship, TeleTech assesses the client's existing capabilities, goals and strategies, customer service or product support processes and related software, hardware and telecommunications systems and training. After presenting a proposed solution and being awarded a contract, TeleTech works closely with the client to further develop, refine and implement more efficient and productive customer interaction processes and technological solutions that seamlessly link the customer, the client and TeleTech. These processes generally include the development of event-driven software programs for the dynamic scripting of telephone interactions, where script flow is predicated on variables in the customer file or on the Representative's interaction with the customer.



Following the design and development of a customer care program, Representatives provide a wide range of on-going voice and data communications services integrating customer acquisition, service and retention and satisfaction and loyalty programs. In a typical inbound customer interaction, a customer calls a toll-free number to request product, service or technical information or assistance. TeleTech's advanced telecommunications system automatically identifies each inbound call by its telephone number and routes the call to the appropriate Representative that is trained for that particular client program. Upon receipt of the call, the Representative's computer screen automatically displays the client's specific product, service or technical information to enable the Representative to assist the customer.

Each customer interaction, even in its simplest form, presents TeleTech and its clients with an opportunity to capture valuable customer information, including the customer's demographic profile and preferences. This information can prompt the Representative to make logical, progressive inquiries about the customer's interest in additional services, identify additional revenue and cross-selling opportunities or resolve other customer issues relating to a client's products or services. TeleTech frequently provides several of the services listed below in an integrated program tailored to its clients' needs.

**CUSTOMER ACQUISITION PROGRAMS.** Customer acquisition programs are designed to secure new customers and can include a wide range of activities depending upon the customer inquiry. A sampling of these services includes:

- providing pre-sales product or service education
- processing and fulfilling information requests for product or service offerings
- verifying sales and activating services
- directing callers to product or service sources
- receiving orders for and processing purchases of products or services
- providing initial post-sales support, including operating instructions for new product or service use

TeleTech's current customer acquisition programs do not include outbound "cold calling," which is an outsourcing service typically provided by traditional telemarketing firms.

**CUSTOMER SERVICE AND RETENTION PROGRAMS.** Customer service and retention programs are designed to maintain and extend the customer relationship and maximize lifetime customer value. These programs are generally driven by the customer's receipt of a product or service, or by the customer's need for on-going help-desk resources. The majority of the Company's revenues are generated in the provision of customer service and retention programs. A sampling of these services includes:

- providing technical help desk, product or service support
- activating product or service upgrades
- responding to billing and other account inquiries
- resolving complaints and product or service problems
- registering warranty information
- dispatching on-site service

**CUSTOMER SATISFACTION AND LOYALTY PROGRAMS.** Customer satisfaction and loyalty programs are designed to enable clients to learn from their customers, to be more responsive to the customer's needs and concerns and to reward customers for their continued patronage. A sampling of these services includes:

- responding to client promotional, affinity-building initiatives
- developing and implementing client-branded loyalty programs
- conducting satisfaction assessments

- confirming receipt of promised products or services
- reserving and reconfirming space at product or service seminars

An example of a client-branded loyalty program is TeleTech's Emergency Home Assist, which it implements for many of Australia's leading insurers and financial institutions. Under Emergency Home Assist, if, for example, a storm damages the roof of a customer insured by a TeleTech client, the customer calls the toll-free number provided by the client. A Representative answers the telephone on the client's behalf and contacts, books and dispatches tradesmen to the customer's home to make repairs, while simultaneously opening an insurance claims file. TeleTech's insurance company client, which directly pays the tradesmen's invoices, is positioned as a caring, total solution provider, rather than just a reimbursement agent. In addition, the insurer is able to control costs by its early intervention and contracting in advance with qualified tradesmen to provide services at a reasonable price.

#### MARKETS AND CLIENTS

TeleTech focuses its marketing efforts on Fortune 1000 companies in the telecommunications, technology, transportation, health care and financial services industries. To provide effective customer care solutions, TeleTech has developed a separate SBU to serve each of these industries. Each SBU is comprised of business development personnel, systems engineers, application specialists and other support personnel, most of whom have prior industry experience. Each SBU is responsible for developing and implementing customized, industry-specific customer service and product support.

**TELECOMMUNICATIONS.** The Telecommunications SBU primarily services long-distance carriers, regional telephone companies, wireless providers and cable operators. Services include verifying long-distance service sales, responding to customer inquiries, providing consumer and business telephone service account management and providing on-going product and service support. Clients include AT&T, NYNEX and Bell Atlantic. TeleTech believes that the Telecommunications Act of 1996 and the development of new wireless products, including products and services utilizing personal communication services (PCS) technology, will expand the breadth of product and service offerings that will require customer service and support and will create additional demand for TeleTech's services.

**TECHNOLOGY.** The growth of high technology product offerings and service introductions, including Internet-related products and services, has increased demand for consumer and technical product support services. Clients include AT&T, CompuServe, Apple and Novell. The Company currently provides telephone and real-time, on-line interactive support to subscribers of CompuServe's WOW! service and to customers of AT&T. TeleTech intends to leverage its technological capabilities on the Internet and is exploring business opportunities related to new interactive media.

**TRANSPORTATION.** TeleTech's Transportation SBU provides a variety of services to clients in the package delivery and travel industries. In October 1995, TeleTech was awarded a contract to manage several Call Centers and provide customer service and support on behalf of United Parcel Service, one of the nation's largest parcel delivery companies. Under its five-year contract, TeleTech will provide services to United Parcel Service from three Call Centers leased by United Parcel Service but staffed and managed by TeleTech. TeleTech also provides reservation call handling services for Reno Air and Midway Airlines. See "--Case Study."

**HEALTH CARE.** TeleTech provides customer care solutions on behalf of health care providers in the United Kingdom, Australia and New Zealand, including Medical Benefits Funds of Australia Limited, Hospital Benefits Fund of Western Australia, Inc., Southern Cross Medical Care Society and PPP. These services include emergency and non-emergency medical information and referral services, neonatal information and assistance to parents of newborns, information about drug interventions, referrals to community support organizations such as home care, child care and counseling options, and medical claims review services. The Company provides these services to customers by means of telephone access to registered nurses, counselors, pharmacists, medical librarians, dieticians and other specially trained Representatives. TeleTech believes that there are substantial opportunities to introduce comparable services in the U.S. market. See "--International Operations."

FINANCIAL SERVICES. TeleTech is developing new and more responsive delivery capabilities to satisfy the demands of financial institutions seeking to reduce customer reliance on face-to-face interactions and increase customer utilization of electronic and telephone banking and automated teller machines. From its Call Centers in Australia and New Zealand, TeleTech provides customer care solutions to customers of insurance company and automobile club clients, such as Mercantile Mutual Insurance (Australia) Ltd, Zurich Australian Insurance Ltd and Royal Automobile Club of Victoria (RACV) Insurance Pty Ltd. Solutions include emergency home repair assistance, responding to customer inquiries regarding property damage and insurance coverage, procuring emergency roadside automobile and medical assistance and facilitating motor vehicle claims. TeleTech believes that many of these customer care solutions are readily transferable to the U.S. market. See "--International Operations."

#### CASE STUDY

In 1994, United Parcel Service operated regional Customer Service Telephone Centers across the United States that provided customers with information regarding package pick-ups and deliveries, package tracking and tracing and rate information. To re-engineer its telephone-based customer service and support strategy, United Parcel Service consolidated these regional centers into seven national centers and decided to outsource the facilities management and staffing functions. United Parcel Service benchmark studies led to the conclusion that this reengineering would result in significant quality improvements while creating a more efficient and much less costly operation.

In October 1995, after a competitive bidding process, TeleTech was awarded a multi-year contract to staff and manage three United Parcel Service customer service telephone centers and was granted the option to manage a fourth facility if United Parcel Service requires additional capacity. By April 1996, TeleTech began operating Call Centers in Tucson, Arizona and Greenville, South Carolina. The third Call Center, located in Tampa, Florida, is scheduled to open in June 1996.

Telephone calls from United Parcel Service customers primarily consist of customer service and package tracking inquiries. TeleTech Representatives assist customers by scheduling package pick ups, tracking packages, calculating shipping rates, explaining package insurance options, describing types of service and rates and answering other types of inquiries.

TeleTech recruits, interviews, hires, and trains all personnel for the United Parcel Service Call Centers. To manage the considerable human resources and facilities management tasks associated with a customer care and support program of this magnitude and complexity, TeleTech identified and hired a separate project management team to launch and direct the program. In addition, the Company devised an innovative incentive and gain-sharing plan to motivate TeleTech personnel. TeleTech has introduced automated quality control processes, electronic applicant screening and assessment, and is working in concert with United Parcel Service to develop innovative technology to further optimize the call handling process.

#### SALES AND MARKETING

As most companies consider the customer care function to be critical, the Company's business development personnel generally focus their marketing efforts on potential clients' senior executives. TeleTech hires business development personnel and employees for each SBU who have substantial industry expertise and can identify and generate sales leads.

TeleTech employs a consultative approach to assess the current and prospective strategic needs of a potential client. Following initial discussions with a client, a carefully chosen TeleTech team, usually comprised of applications and systems specialists, operations experts, human resources professionals and other appropriate SBU management personnel, thoroughly studies the client's operations. The Company invests significant resources during the development of a client relationship to understand the client's existing customer service processes, culture, decision parameters and goals and strategies. TeleTech assesses the client's customer care needs and, with input from the client, develops and implements tailored customer care solutions.

As a result of its consultative approach, TeleTech can identify new revenue generating opportunities, customer communication possibilities and product or service improvements previously overlooked or not

adequately addressed by the client. TeleTech's technological capabilities enable it to develop working prototypes of proposed customer care programs and to rapidly implement strategic customer care solutions, generally with minimal capital investment by the client.

TeleTech generally provides customer care solutions pursuant to written contracts with terms ranging from one to five years, which often contain renewal or extension options. Under substantially all of its significant contracts, TeleTech generates revenues based on the amount of time Representatives devote to a client's program. In addition, clients typically are required to pay fees relating to TeleTech's training of Representatives to implement the client's program, set-up and management of the program, and development of computer software and technology. Many of TeleTech's contracts also require the client to pay TeleTech a contractually agreed amount in the event of early termination. When negotiating new contracts, TeleTech strives to obtain a contract term of at least two years and contractual provisions adjusting the amount of TeleTech's fees if there are significant variances from estimated implementation expenses.

#### OPERATIONS

TeleTech provides its customer care services through the operation of state-of-the-art Call Centers located in the United States, the United Kingdom, Australia and New Zealand. As of April 30, 1996, TeleTech leased seven Call Centers and also managed two Call Centers on behalf of United Parcel Service. Additional expansion planned for 1996 includes the opening of a new Company-owned Call Center, expansion of an existing facility and opening of a third United Parcel Service-owned Call Center. See "-- Facilities."

TeleTech uses its standardized development procedures to minimize Call Center development lead times. The Company applies predetermined site selection criteria to identify locations conducive to operating large scale, sophisticated customer care facilities in a cost-effective manner. TeleTech can establish a new, fully operational, inbound Call Center containing 450 or more workstations within 90-150 days. In the last fourteen months, TeleTech has established two Company-owned Call Centers and two United Parcel Service-owned Call Centers, including a total of approximately 2,400 workstations.

A typical U.S. TeleTech Call Center has approximately 50,000 square feet of space and contains approximately 450 workstations. Call Center capacity can vary based on the complexity and type of customer care programs provided. All TeleTech Call Centers are designed to operate 24 hours a day, seven days a week. TeleTech received ISO 9002 certification for its Burbank Call Center in 1995 and currently is involved in a Company-wide ISO 9002 certification process.

**CALL CENTER MANAGEMENT.** TeleTech manages its U.S. Call Centers through its Technology Command Center in Colorado (the "Command Center"). The Command Center operates 24 hours per day, 7 days a week, and is responsible for monitoring, coordinating and managing TeleTech's U.S. operations. Each U.S. Call Center is connected to the Command Center and to other U.S. Call Centers through multiple fiber optic voice/data T-1 circuits to form an integrated and redundant wide area network. This network connectivity provides a high level of security and redundancy that is integral to TeleTech's ability to ensure recovery capabilities in the event of a disaster or structural failure. If a Call Center were to experience extreme excess call volume or become non-operational, the Command Center is configured to re-route incoming calls to another Call Center in a virtually transparent, uninterrupted manner.

TeleTech also has established a set of uniform operational policies and procedures to ensure the consistent delivery of high-quality service at each Call Center. These policies and procedures detail specific performance standards, productivity and profitability objectives and daily administrative routines designed to ensure efficient operation. TeleTech believes that recruiting, training and managing full-time Representatives who are dedicated to a single client facilitates seamless integration between client and Representative, enhances service quality and efficiency and differentiates TeleTech from its competitors.

TeleTech utilizes a number of sophisticated applications designed to minimize administrative burdens and maximize productivity. Such applications include a proprietary, integrated agent performance system

that tracks Representative activity at each workstation and a proprietary billing system that tracks time expended on administration, training, data processing and other processes conducted in support of client or internal tasks.

**QUALITY ASSURANCE.** TeleTech monitors and measures the quality and accuracy of its customer interactions through a quality assurance department located at each Call Center. Each department evaluates, on a real-time basis, at least 1.5% of all calls per day. TeleTech also has the capabilities to enable its clients to monitor customer interactions on a real-time basis. Quality assurance professionals monitor customer interactions and simultaneously score Representatives according to criteria mutually determined by the Company and the client. Representatives are evaluated and provided with feedback on their performance on a weekly basis and, as appropriate, recognized for superior performance or scheduled for additional training and coaching.

#### TECHNOLOGY

Utilizing industry standard tools, the Company creates relational database management systems customized for each client. These systems enable it to track the details of each customer interaction and consolidate that information into a customer file, which can be accessed and referred to by Representatives as they deliver services. TeleTech Call Centers employ state-of-the-art technology that incorporates digital switching technology, object-oriented software modules, relational database management systems, proprietary call tracking and workforce management systems, CTI and interactive voice response. TeleTech's digital switching technology enables calls to be routed to the next available Representative with the appropriate knowledge, skill and language sets. Call tracking and workforce management systems generate and track historical call volumes by client, enabling the Company to schedule personnel efficiently to accommodate anticipated fluctuations in call volume. This technology base enables TeleTech to provide single call resolution and decrease customer hold times, thereby enhancing customer satisfaction.

TeleTech-owned Call Centers utilize "Universal Representative" workstations with inbound, outbound, Internet and faxback capabilities, the majority of which run on Pentium-Registered Trademark--based computers. All workstations are PC-based and utilize CTI technology, which connects the computer to a telephone switch allowing calls and computer data to be transferred simultaneously. By using simple, intuitive graphical user interfaces (GUI), which substitute graphics for text, TeleTech enables its Representatives to focus on assisting the customer, rather than on the technology, and obtain customer information using significantly fewer keystrokes. The user-friendly interface also helps to decrease training time and increase the speed of call handling.

TeleTech's applications software is designed using products developed by Microsoft, Oracle, Novell, IBM and others. TeleTech has invested significant resources in designing, developing and debugging industry-specific and open-systems software applications and tools. As a result, TeleTech maintains an extensive library of reusable object-oriented code modules for use by TeleTech's applications development professionals to develop customized customer care software. TeleTech's systems capture and download a variety of information obtained during each customer interaction into relational databases for real-time, daily, weekly or monthly reporting to clients. TeleTech runs its applications software on open-systems, client-server architecture that utilizes computer processors, server components and hardware platforms produced by manufacturers such as Compaq, Hewlett Packard, IBM and Sun Microsystems. TeleTech has and will continue to invest significant resources into the research and development of new and emerging customer care and technical support technologies.

#### HUMAN RESOURCES

TeleTech's success in recruiting, hiring and training large numbers of skilled employees is critical to its ability to provide high-quality customer care solutions to its clients. TeleTech generally locates its Call Centers in metropolitan areas that have access to higher education and a major transportation infrastructure. TeleTech endeavors to offer a competitive pay scale, hire primarily full-time employees who are eligible to receive the full range of employee benefits and provide employees with a clear, viable career path.

TeleTech is committed to the continued education and development of its employees and believes that providing TeleTech employees with access to new learning opportunities produces job satisfaction, ensures a higher quality labor force and fosters loyalty between TeleTech's employees and the clients they serve. Before taking customer calls, Representatives receive from one to five weeks of on-site training in TeleTech's or the client's training facilities to learn about the client's corporate culture, specific product or service offerings and the customer care program that TeleTech and the client will be undertaking. Representatives also receive a minimum of six to eight hours of on-going training per month and often receive supplemental laboratory training as needed to provide high-quality customer service and product support.

As of April 30, 1996, TeleTech had 3,653 employees. Of its total employees, 2,795 were full-time Representatives, constituting 81.5% of its total Representatives. None of TeleTech's employees are subject to a collective bargaining agreement and TeleTech believes its relations with its employees are good.

#### INTERNATIONAL OPERATIONS

TeleTech operates one Call Center in each of Australia and New Zealand, and a third Call Center located in the United Kingdom that is operated through the Company's joint venture with a subsidiary of PPP Healthcare Group plc ("PPP"), one of the largest private medical insurers in the United Kingdom. In January 1996, TeleTech acquired Access 24, a leading provider of customer care solutions to Australian and New Zealand companies primarily in the health care and financial services industries. The operations of Access 24 have been substantially integrated with TeleTech's operations and the Company intends to leverage Access 24's experience by introducing similar services in the United States. TeleTech operates Call Centers in Sydney, Australia and Auckland, New Zealand, containing an aggregate of 131 workstations, and intends to develop a traditional customer care outsourcing business in Australia and New Zealand, as well as the United Kingdom.

On April 30, 1996, TeleTech entered into a joint venture with PPP, which currently serves more than 2.3 million customers throughout the United Kingdom and owns long-term health insurance, dental care and finance companies. TeleTech and PPP have agreed to provide, exclusively through the joint venture and initially solely in the United Kingdom and Ireland, distinct, value-added customer care services. Apart from the joint venture, TeleTech intends to provide traditional outsourcing services, similar to the type TeleTech provides in the United States, in the United Kingdom. See "Business--Services." The joint venture, which will operate initially from the 172-workstation Call Center located in London, currently provides services only to PPP customers but intends to eventually offer its services to customers of other companies.

#### COMPETITION

The Company believes that it competes primarily with the in-house teleservices and customer service operations of its current and potential clients. TeleTech also competes with certain companies operating in the teleservices industry, including Access Health, Inc., APAC Teleservices, AT&T American Transtech, Electronic Data Systems, MATRIX Marketing Inc., SITEL Corporation, STREAM and Sykes Enterprises Incorporated. TeleTech competes primarily on the basis of quality and scope of services provided, speed and flexibility of implementation and technological expertise. Although the teleservices industry is very competitive and highly fragmented with numerous small participants, management believes that TeleTech generally does not directly compete with traditional telemarketing companies, which provide primarily outbound "cold calling" services.

## FACILITIES

TeleTech's corporate headquarters are located in Denver, Colorado in approximately 27,000 square feet of leased office space that also contains a 553 workstation Call Center. As of April 30, 1996, TeleTech leased (unless otherwise noted) and operated the following Call Centers, containing an aggregate of approximately 225,000 square feet:

LOCATION	YEAR OPENED OR ACQUIRED	NUMBER OF WORKSTATIONS(1)
U.S. CALL CENTERS		
Sherman Oaks, California.....	1985	388
Denver, Colorado.....	1993	553
Burbank, California.....	1995	414
Thornton, Colorado.....	1996	475
INTERNATIONAL CALL CENTERS (2)		
Sydney, Australia.....	1996	104
London, United Kingdom (3).....	1996	172
Auckland, New Zealand.....	1996	27
MANAGED ON BEHALF OF UNITED PARCEL SERVICE		
Greenville, South Carolina.....	1996	725
Tucson, Arizona.....	1996	762
Tampa, Florida (4).....	1996	940
Total number of workstations.....		4,560

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- (1) Includes training positions, which are fully operative as production positions when necessary.
- (2) Acquired January 1, 1996 through TeleTech's acquisition of Access 24. See "--International Operations."
- (3) Managed through the Company's joint venture with PPP. See "--International Operations."
- (4) The Company expects to commence operations at this Call Center in June 1996.

The leases for TeleTech's U.S. Call Centers have terms ranging from one to eight years and generally contain renewal options. The Company plans to open a United Parcel Service-owned Call Center in Tampa, Florida in June 1996, as well as a Call Center in Houston, Texas in August 1996. It also plans to expand its Thornton Call Center by 267 positions by July 15, 1996. Pursuant to its agreement with United Parcel Service, if United Parcel Service opens a fourth call center, TeleTech has the option to staff and manage such Call Center. The Company believes that its existing Call Centers are suitable and adequate for its current operations but that additional Call Centers, including the expansion currently planned for 1996, will be required to support continued growth.

## LEGAL PROCEEDINGS

From time to time the Company is involved in litigation, most of which is incidental to its business. In the Company's opinion, no litigation to which the Company currently is a party is likely to have a material adverse effect on the Company's results of operations or financial condition.

# MANAGEMENT

## EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth certain information with respect to the executive officers and directors of the Company:

NAME	AGE	POSITION
Kenneth D. Tuchman	36	Chairman of the Board, President, Chief Executive Officer and Director
Joseph D. Livingston	51	Senior Vice President and Chief Operating Officer
Steven B. Coburn	42	Chief Financial Officer
Alan Silverman (1)	52	Director
Richard Weingarten (1)	45	Director
Samuel Zell	53	Director

(1) Member of the Compensation and Audit Committees of the Board of Directors of the Company.

MR. TUCHMAN founded TeleTech and has served as its Chairman of the Board of Directors, President and Chief Executive Officer since TeleTech's formation in December 1994. Mr. Tuchman also is the founder and has served as the President and Chief Executive Officer of each of TeleTech Telecommunications, Inc. and TeleTech Teleservices, Inc., two operating subsidiaries of TeleTech, since their formation in October 1982 and November 1992, respectively.

MR. LIVINGSTON has served the Company since February 1992 in various capacities, including as Senior Vice President and Chief Operating Officer and previously as Vice President of Operations and Technology. From 1989 to 1992, Mr. Livingston was the Director of MIS Systems & Operations of Livestone Corporation, a division of American Eastern Securities, and from 1985 to 1989 he was employed by Coopers & Lybrand, an international accounting firm, as Director of West Region MIS and Strategic Management Services for International Business.

MR. COBURN has served as Chief Financial Officer of the Company since October 1995. From October 1989 to September 1995, Mr. Coburn was employed by U S West, a diversified telecommunications company, and various of its affiliates, during which time he served as Finance Director and Chief Financial Officer of Interactive Video Enterprises, as Finance Director of U S West Marketing Resources Group and as Finance Director and Controller of U S West Marketing Services. In 1993, Mr. Coburn established and managed the finance, accounting and treasury activities of U S West Polska, a start up operation in Warsaw, Poland.

MR. SILVERMAN, who has served as a director of TeleTech since January 1995, is an independent investor and has been a director of Exhibition Video International, a company that is developing technology for satellite and video transmissions, since 1992. Mr. Silverman has served since 1970 as a director and is President of Essaness Theatres Corporation ("Essaness"), an investment holding company. Mr. Silverman is a director of Keystone Biomedical, Inc., a company that develops, tests and licenses pharmaceutical agents, and, since 1980, has been a director of Video 44, a Hispanic television broadcasting company. Mr. Silverman also serves as a director of various private corporations.

MR. WEINGARTEN has served as a director of TeleTech since January 1995. Mr. Weingarten founded Richard Weingarten & Company, Inc., a company that provides investment banking and financial advisory services, in 1991 and has served as its President since its formation. From 1988 through 1991, Mr. Weingarten was a Managing Director of Bear, Stearns & Co., Inc. and, from 1989 until 1991, served as Director of Corporate Finance for its Southeastern region. Mr. Weingarten currently serves as a director of Capsure Holdings Corp. ("Capsure"), a holding company whose principal subsidiaries are specialty property and casualty insurers.



MR. ZELL has served as a director of TeleTech since January 1995. Mr. Zell serves as Chairman of the Board of Great American Management and Investments, Inc., a diversified holding company, Anixter International Inc., a provider of integrated network and cabling solutions, Falcon Building Products, Inc., a manufacturer and supplier of building products, American Classic Voyages Co., an owner and operator of cruise lines, Manufactured Home Communities, Inc., a real estate investment trust specializing in the ownership and management of manufactured home communities, Capsure, Equity Group Investments, Inc. and other private corporations. Mr. Zell also serves as Chairman of the Board of Trustees of Equity Residential Properties Trust, an owner and operator of multifamily residential properties, and as Co-Chairman of the Board of Revco D.S., Inc., a drug store chain. Mr. Zell is a director of Quality Food Centers, Inc., an independent supermarket chain, and Sealy Corporation, a maker of bedding and related products. Mr. Zell was President of Madison Management Group, Inc., a holding company of low-tech manufacturing companies ("Madison"), prior to October 4, 1991. Madison filed a petition for reorganization under the Federal bankruptcy laws in November 1991.

#### ARRANGEMENTS FOR NOMINATION AS DIRECTOR

Directors are elected at each annual meeting of stockholders of the Company to serve for one-year terms. After the closing of the Offering, the directors intend to appoint persons in accordance with TeleTech's By-laws to fill the current vacancies on the Board of Directors.

In connection with the sale of its Preferred Stock in January 1995, certain stockholders of TeleTech executed an agreement (the "Investment Agreement") pursuant to which they agreed to elect each year to TeleTech's Board of Directors two individuals nominated by TeleTech Investors General Partnership ("TIGP") and Essaness and five individuals designated by Mr. Tuchman. Each of the current directors of TeleTech was elected as a nominee of Mr. Tuchman or of TIGP and Essaness pursuant to the Investment Agreement. The rights and obligations of Mr. Tuchman, TIGP and Essaness to elect directors under the Investment Agreement will terminate upon the closing of the Offering.

TeleTech's Certificate of Incorporation entitles the holders of Preferred Stock, as a class, to elect two individuals, and entitles the holders of Common Stock, as a class, to elect five individuals, to the Board of Directors of TeleTech. The Restated Certificate of Incorporation, to be filed immediately prior to the closing of the Offering, provides that the holders of a majority of the outstanding Common Stock will elect all directors.

#### COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has standing Audit and Compensation Committees, which assist the Board in the discharge of its responsibilities. Members of each such committee are elected by the Board at its first meeting following the annual meeting and serve for one year terms.

The Audit Committee reports to the Board regarding the appointment of the independent public accountants of TeleTech, the scope and fees of the prospective annual audit and the results thereof, compliance with TeleTech's accounting and financial policies and management's procedures and policies relative to the adequacy of TeleTech's internal accounting controls. The current members of the Audit Committee are Alan Silverman and Richard Weingarten, neither of whom is an employee of TeleTech.

The Compensation Committee reviews and approves the annual salary and bonus for each executive officer (consistent with the terms of any applicable employment agreement), reviews, approves and recommends terms and conditions for all employee benefit plans (and changes thereto) and administers the Option Plan and such other employee benefit plans as may be adopted by TeleTech from time to time. The current members of the Compensation Committee are Alan Silverman and Richard Weingarten, each of whom is a non-employee director of TeleTech.

#### COMPENSATION OF DIRECTORS

TeleTech does not pay its directors a fee for their services as such; however, all directors are reimbursed for travel expenses incurred in attending board and committee meetings.

The TeleTech Holdings, Inc. Directors Stock Option Plan, which was approved by the Board of Directors of the Company effective January 1996 (the "Directors Option Plan"), provides for the automatic annual grant, to each director who is neither an employee of the Company nor, after this Offering, the beneficial owner of 5% or more of the outstanding Common Stock, of options to acquire shares of Common Stock. A total of 750,000 shares of Common Stock are reserved for issuance pursuant to options granted under the Directors Option Plan. All options granted under the Directors Option Plan are non-qualified options that are not intended to qualify under Section 422 of the Code.

The Directors Option Plan currently provides that each eligible director will receive options to acquire (i) 12,500 shares of Common Stock upon such director's initial election to the Board of Directors and (ii) on the date of each annual meeting of stockholders held each year thereafter at which such director is re-elected, 12,500 shares of Common Stock for services to be rendered as a director and 6,250 for services as a member on each committee of the Board of Directors to which such director is appointed. The exercise price of each option granted under the Directors Option Plan shall be equal to the fair market value of the Common Stock on the date of grant. Options granted under the Directors Option Plan (a) vest immediately, (b) are not exercisable until six months after the date of grant and (c) expire on the earliest to occur of the tenth anniversary of the date of grant, one year following the director's death or immediately upon the director's termination of membership on the Board of Directors for Cause (as defined in the Directors Option Plan).

As of May 15, 1996, options to acquire an aggregate of 225,000 shares of Common Stock, at an exercise price of \$5.00 per share, were outstanding under the Directors Option Plan. Each of Messrs. Silverman, Weingarten and Zell has been granted options under the Directors Option Plan to acquire 25,000 shares of Common Stock in consideration for services rendered as a director of the Company during 1995. In addition, each of Messrs. Weingarten and Silverman has been granted options under the Directors Option Plan to acquire an additional 25,000 shares of Common Stock for services rendered during 1995 as members of the Audit and Compensation Committees of the Board of Directors. Messrs. Weingarten, Silverman and Zell have been granted options to acquire 37,500, 37,500 and 25,000 shares of Common Stock, respectively, for services rendered and to be rendered as a director of the Company in 1996.

#### INCENTIVE COMPENSATION PLAN

In order to attract, retain and motivate qualified employees, align employee interests with those of the stockholders and reward employees for enhancing the value of the Company, TeleTech has established the TeleTech Holdings, Inc. Incentive Compensation Plan (the "Incentive Plan"). Under the Incentive Plan, certain management-level employees of the Company are eligible to receive annual performance bonuses based upon the Company's achievement of certain predetermined financial goals. Awards under the Incentive Plan will be paid annually from an incentive pool, which is funded annually by a percentage of the amount by which the net income of the Company exceeds the established threshold performance level for that year. From this incentive pool, each SBU executive, manager and key employee is entitled to receive a cash incentive award up to an annual bonus limitation, which is determined each year based upon the recipient's base salary. No awards will be made under the Incentive Plan, which was adopted on May 14, 1996, until 1997.

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Alan Silverman and Richard Weingarten are the current members of the Compensation Committee of the Board of Directors.

Pursuant to the Amended and Restated Investment Agreement to take effect upon the closing of the Offering, certain existing stockholders of the Company (the "Existing Stockholders") are entitled, by majority vote, to require TeleTech, at its sole expense, to register under the Securities Act all or part of their Common Stock. In addition, if TeleTech proposes to register any of its securities under the Securities Act for its own account, the Existing Stockholders may require TeleTech, at its sole expense, to include in such registration all or part of the 8,300,000 shares of Common Stock owned by the Existing Stockholders. Mr. Silverman owns 258,330 shares of Common Stock. TIGP, a partnership of which Mr. Weingarten is a general partner, owns 8,525,000 shares of Common Stock; however, the managing general partner of TIGP

holds sole power to vote and dispose of all shares owned by TIGP. The Company has been advised that, immediately following the closing of the Offering, TIGP will be dissolved and its assets will be distributed to its partners. See "Principal and Selling Stockholders."

#### EXECUTIVE COMPENSATION

SUMMARY OF CASH AND CERTAIN OTHER COMPENSATION. The following table sets forth information with respect to all compensation earned by TeleTech's chief executive officer and TeleTech's two other executive officers as of December 31, 1995 (collectively, the "Named Executive Officers") for services rendered to TeleTech during 1995.

SUMMARY COMPENSATION TABLE FOR 1995

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION			
	SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$)	ALL OTHER COMPENSATION (\$) (1)
Kenneth D. Tuchman, Chairman, President & Chief Executive Officer.....	\$ 750,000	\$ 250,000	\$ 56,300(2)	\$ 10,830
Joseph D. Livingston, Senior Vice President & Chief Operating Officer.....	174,090(3)	168,743(4)	--	4,500
Steven B. Coburn, Chief Financial Officer.....	28,000(5)	--	--	--

(1) Represents the full dollar value of premiums paid by the Company with respect to life insurance for the benefit of Mr. Tuchman or Mr. Livingston and his respective beneficiaries.

(2) Includes \$20,000 in aggregate membership dues and initiation fees, \$17,500 paid as a car allowance, \$15,600 for lease of a townhouse and other perquisites and personal benefits paid by the Company to or on behalf of Mr. Tuchman.

(3) Includes approximately \$11,340 paid to Mr. Livingston for accrued but unused vacation time.

(4) Includes a \$75,000 annual performance bonus and an approximately \$93,700 one-time bonus for Mr. Livingston's assistance in obtaining a client contract.

(5) Mr. Coburn joined TeleTech in October 1995 at an annual base salary of \$120,000. See "--Employment Agreements."

OPTION GRANTS. The following table sets forth information regarding grants of stock options under the Option Plan during 1995 to the Named Executive Officers.

OPTION GRANTS IN 1995

NAME	NUMBER OF SHARES UNDERLYING OPTIONS GRANTED (#)	PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE PER SHARE (1)	EXPIRATION DATE (2)	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM (3)	
					5%	10%
Kenneth D. Tuchman.....	--	--	--	--	--	--
Joseph D. Livingston.....	750,000	36%	\$ 1.29	1/1/2005	\$ 608,456	\$ 1,541,946
Steven B. Coburn.....	250,000	12%	2.00	9/15/2005	314,447	796,871

(1) Each option has been granted pursuant to the Option Plan and expires on the date ten years after the date of grant. The exercise price equals the fair market value of the Common Stock on the grant date, as determined by the Board of Directors based upon the most recent price prior to the grant date at which the Company, in arms' length transactions, had issued Common Stock in connection with acquisitions or had sold Preferred Stock in capital raising transactions.

- (2) Options granted to Messrs. Livingston and Coburn vest pro rata over the three years and five years, respectively, following the date of grant.
- (3) The potential realizable value is calculated assuming that the fair market value on the date of grant, which equals the exercise price, appreciates at the indicated annual rate (set by the Commission), compounded annually for the term of the option. Based on the initial price to public in the Offering, the actual realizable value of the options will substantially exceed the potential realizable values shown in the table.

OPTION HOLDINGS. No options were exercised by Named Executive Officers in 1995. The following table sets forth information with respect to the aggregate number and value of shares underlying unexercised options held by each of the Named Executive Officers as of December 31, 1995.

#### FISCAL YEAR-END OPTION VALUES

NAME	NUMBER OF SHARES UNDERLYING UNEXERCISED OPTIONS AS OF DECEMBER 31, 1995		VALUE OF UNEXERCISED IN-THE- MONEY OPTIONS AS OF DECEMBER 31, 1995 (1)	
	-----		-----	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Kenneth D. Tuchman.....	--	--	--	--
Joseph D. Livingston.....	250,000	500,000	\$ 927,500	\$ 1,855,000
Steven B. Coburn.....	--	250,000	--	750,000

- (1) The exercise price of each option was based on the deemed fair market value of the option shares at fiscal year end (\$5.00 per share as determined by the Board of Directors based on the most recent price prior to December 31, 1995 at which the Company had issued or agreed to issue Common Stock) less the exercise price payable for such shares.

#### TELETECH STOCK OPTION PLAN

The Company's Option Plan was adopted by the Board of Directors in December 1994 and by the Company's stockholders in January 1995 and was amended and restated in January 1996. The Option Plan authorizes the issuance of up to 7,000,000 shares of Common Stock through the grant of (i) incentive stock options ("ISOs") within the meaning of Section 422 of the Code, (ii) stock options that are not intended to qualify under Section 422 of the Code ("NSOs" and together with ISOs, "Options"), (iii) stock appreciation rights ("SARs"), (iv) restricted stock and (v) phantom stock. Directors, officers, employees, consultants and independent contractors of the Company or any subsidiary of the Company, as selected from time to time by the committee administering the Option Plan, are eligible to participate in the Option Plan. As of May 15, 1996, Options to acquire an aggregate of 472,085 shares of Common Stock and 76,000 shares of restricted stock were outstanding. No SARs or phantom stock have been issued under the Option Plan.

The Option Plan provides that it is to be administered by a committee comprised of two or more disinterested directors appointed by the Board of Directors (the "Committee"). The Compensation Committee of the Board of Directors, which is comprised of two disinterested directors of the Company, currently acts as the Committee under the Option Plan. Subject to certain limitations, the Committee has complete discretion to determine which eligible individuals are to receive awards under the Option Plan, the form and vesting schedule of awards, the number of shares subject to each award and the exercise price, the manner of payment and expiration date applicable to each award.

All awards under the Option Plan are subject to vesting and forfeiture. Unless the Committee establishes otherwise at the time of award, all awards under the Option Plan vest at an accelerating rate over a period of five years.

Set forth below is a summary of the terms of the Option Plan that are applicable to each of the various types of awards covered thereby.

OPTIONS. All Options expire on the date that is the earliest of three months after the holder's termination of employment with the Company (other than termination for Cause), six months after the holder's death and 10 years after the date of grant. Options also are subject to forfeiture upon termination of employment or directorship for "Cause." The exercise price per share of an ISO is determined by the Committee at the time of grant but in no event may be less than the fair market value of the Common Stock on the date of grant. Notwithstanding the foregoing, if an ISO is granted to a participant who owns more than 10% of the voting power of all classes of stock of the Company, the exercise price must be at least 110% of the fair market value of the Common Stock and the exercise period must not exceed five years from the date of grant. The exercise price per share of an NSO is determined by the Committee in its sole discretion.

SARS. SARS may be issued independent of an Option or, alternatively, in connection with an Option (a "Tandem SAR"), in which case the Tandem SAR terminates simultaneously upon the expiration of the related Option. A Tandem SAR is only exercisable if the fair market value of a share of Common Stock exceeds the exercise price of the related Option.

RESTRICTED STOCK. Restricted stock entitles the holder thereof to participate as a stockholder of the Company; however, the holder may not sell, transfer, pledge or otherwise encumber such stock prior to the time it vests. A holder of restricted stock forfeits all unpaid accumulated dividends and all shares of restricted stock that have not vested prior to the date that such holder's employment with the Company is terminated for any reason.

PHANTOM STOCK. Phantom stock entitles the holder thereof to surrender any vested portion of such phantom stock in exchange for cash or shares of Common Stock, as the Committee may determine, in an amount equal to the fair market value of Common Stock on the date of surrender.

#### EMPLOYMENT AGREEMENTS

TeleTech entered into an employment agreement with Kenneth D. Tuchman as Chairman of the Board and President of TeleTech for a term commencing on January 1, 1995 and ending on December 27, 1997 (the "Term"). Subsequent thereto, Mr. Tuchman also was elected as the Chief Executive Officer of TeleTech. Pursuant to the agreement, Mr. Tuchman is entitled to receive an annual base salary of \$750,000, as adjusted on January 1 of each year during the Term by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers for the Denver metropolitan area (the "CPI Percentage"). Mr. Tuchman also is eligible to receive an annual performance bonus not to exceed \$250,000, as adjusted annually by the CPI Percentage, based upon TeleTech's achievement of certain predetermined performance goals. The agreement requires the Company to maintain, on behalf of Mr. Tuchman, a \$24 million life insurance policy (half of which is payable to his beneficiaries), disability insurance, accident, death and dismemberment insurance, errors and omissions insurance with a policy limit of not less than \$1 million and entitles Mr. Tuchman to receive certain perquisites specified therein. Under the terms of his agreement, Mr. Tuchman is prohibited, during his employment and for three years thereafter, from disclosing any confidential information or trade secrets of TeleTech. Mr. Tuchman also is prohibited, during his employment and for three years after the Company terminates his employment for Good Cause (as defined therein) or Mr. Tuchman voluntarily terminates his employment with the Company, from engaging in any business, or becoming employed by or otherwise rendering services to any company (other than TeleTech) that has as its primary business inbound or outbound teleservices. The agreement provides that if TeleTech terminates Mr. Tuchman's employment for Good Cause, TeleTech will pay Mr. Tuchman his salary as accrued through the date of termination. If TeleTech terminates Mr. Tuchman's employment without Good Cause, TeleTech will pay to him the lesser of (i) the sum of his salary as accrued through the date of termination, his performance bonus, prorated for any portion of the year remaining and calculated as if TeleTech had achieved its performance goals, and the present value of all payments that otherwise would have been made to him during the remainder of the Term, calculated as if TeleTech had achieved its performance goals, or (ii) three times the aggregate salary and performance bonus earned by him in the immediately preceding year.

TeleTech entered into an employment agreement with Joseph D. Livingston as Senior Vice President and Chief Operating Officer of TeleTech effective January 1, 1995. Pursuant to the agreement, as amended,

Mr. Livingston is entitled to receive an annual base salary of \$160,000 for 1995 and \$250,000 for 1996 and thereafter and also is eligible to receive an annual performance bonus based upon TeleTech's achievement of certain predetermined performance goals. TeleTech also has granted Mr. Livingston options to purchase 750,000 and 75,000 shares of Common Stock at an exercise price of \$1.29 and \$8.00 per share, respectively, which options vest over three and five years from the date of grant, respectively. Mr. Livingston's employment with TeleTech is terminable at any time by either party, with or without cause. Upon termination of employment, Mr. Livingston will be entitled to unpaid compensation for services rendered through the date of termination, together with employee benefits accrued through the date of termination. Under the terms of his agreement, Mr. Livingston is prohibited from disclosing any confidential information or trade secrets of TeleTech. The Agreement also prohibits Mr. Livingston, for the three years after termination of his employment with TeleTech, from engaging in any business or becoming employed or otherwise rendering services to any company engaging in, inbound or outbound teleservices, development or maintenance of voice or data communication, certain software applications, customer communications services or technological innovation or support for any of the foregoing.

The Company entered into a three year employment agreement commencing on October 2, 1995 with Steven B. Coburn. Pursuant to the agreement, Mr. Coburn serves as Chief Financial Officer of the Company and is entitled to receive an annual base salary of \$120,000 for 1995 and, commencing January 1, 1996, an annual base salary of \$135,000. Mr. Coburn also is eligible to receive an annual performance bonus of not more than twenty-five percent of his salary upon the Company's achievement of certain predetermined performance goals. The Company has granted Mr. Coburn options to purchase 250,000 shares of Common Stock at an exercise price of \$2.00 per share, which options vest over a period of five years beginning with the thirteenth month of his employment. The agreement prohibits Mr. Coburn from disclosing any confidential information or trade secrets of the Company. Mr. Coburn also is prohibited, during his employment and for three years after the Company terminates his employment for Good Cause (as defined therein) or Mr. Coburn voluntarily terminates his employment with the Company, from engaging in any business, or becoming employed by or otherwise rendering services to any company (other than TeleTech), that has as its primary business inbound or outbound teleservices or technological innovation or support with respect thereto.

#### LIMITATION OF LIABILITY AND INDEMNIFICATION MATTERS

TeleTech's Restated Certificate of Incorporation and By-laws provide that TeleTech shall indemnify its directors, and may indemnify its officers, employees and other agents, to the fullest extent permitted by Delaware law. The Company also is authorized to secure insurance on behalf of any person it is required or permitted to indemnify. Pursuant to this provision, TeleTech maintains liability insurance for the benefit of its directors and officers.

TeleTech has entered into agreements to indemnify its directors and certain of its officers, in addition to the indemnification provided for in TeleTech's Restated Certificate of Incorporation and By-laws. These agreements provide, among other things, that TeleTech will indemnify its directors and officers for all direct and indirect expenses and costs (including, without limitation, all reasonable attorneys' fees and related disbursements, other out-of-pocket costs and reasonable compensation for time spent by such persons for which they are not otherwise compensated by TeleTech or any third person) and liabilities of any type whatsoever (including, but not limited to, judgments, fines and settlement fees) actually and reasonably incurred by such person in connection with either the investigation, defense, settlement or appeal of any threatened, pending or completed action, suit or other proceeding, including any action by or in the right of the corporation, arising out of such person's services as a director, officer, employee or other agent of TeleTech, any subsidiary of TeleTech or any other company or enterprise to which the person provides services at the request of TeleTech. TeleTech believes that these provisions and agreements are necessary to attract and retain talented and experienced directors and officers.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the transactions described elsewhere in this Prospectus, the following transactions have been effected, or are being contemplated, involving the Company, and its directors, executive officers or stockholders. See "Management--Compensation Committee Interlocks and Insider Participation" and "Shares Eligible for Future Sale."

During 1995, TeleTech provided reservations call handling services to Midway Airlines Corporation ("Midway"), a majority-owned subsidiary of Zell/Chilmark Fund, L.P. Samuel Zell, a director of TeleTech, is an affiliate of Zell/Chilmark Fund, L.P. During the twelve months ended December 31, 1995 and March 31, 1996, TeleTech charged Midway an aggregate of \$1,291,862 and \$600,904, respectively, for services rendered by TeleTech. As of December 31, 1995 and March 31, 1996, the total amounts due from Midway for services rendered by TeleTech were \$535,845 and \$570,274, respectively, of which \$354,526 and \$462,958, respectively, were past due. TeleTech has continued to provide reservations call handling services to Midway in the current fiscal year.

In April 1996, TeleTech agreed to accept from Midway, and Midway delivered to the Company, a promissory note in the principal amount of \$500,000 to evidence a portion of the total amount due and owing. The note bears interest at a rate of 8% per annum and is payable in 12 equal installments of principal, together with interest, commencing May 1, 1996.

TeleTech has agreed to pay, prior to the closing of the Offering, \$1 million to Equity Group Investments, Inc. ("EGI"), an affiliate of Mr. Zell, a director of TeleTech, for certain advisory services rendered by EGI in connection with the Offering, the acquisition of Access 24 and the joint venture with PPP. The Company may retain EGI, or other affiliates of Mr. Zell, to render similar services after the Offering. Any such engagement, and the terms upon which such engagement will occur, will be subject to the prior approval of disinterested directors of the Company. Of the \$1 million payable to EGI, approximately \$500,000 relate to services rendered in connection with the Offering and are included as expenses thereof.

TeleTech has utilized the services of The Riverside Agency, Inc. in reviewing, obtaining or renewing various insurance policies. The Riverside Agency, Inc. is a wholly-owned subsidiary of EGI. During the twelve months ended December 31, 1995, The Riverside Agency, Inc. invoiced TeleTech an aggregate of \$23,965 and \$47,930, respectively, for services rendered.

Under the terms of the Stock Transfer and Registration Rights Agreement among Access 24 Holdings Pty Limited and Bevero Pty Limited, existing holders of Common Stock (the "Common Stockholders"), and TeleTech, if TeleTech proposes to register any of its securities under the Securities Act for its own account, the Common Stockholders may require TeleTech, at its sole expense, to include in such registration all or part of the 970,240 shares of Common Stock held by the Common Stockholders. None of such shares are being registered in connection with the Offering.

In 1993 and 1994, Mr. Tuchman made loans to the Company that were evidenced by subordinated promissory notes with an interest rate of 8% per annum. In 1995, the Company paid interest of \$11,000 to Mr. Tuchman on such notes. In connection with the Company's restructuring and sale of \$12 million of Preferred Stock in January 1995, the Company repaid the approximately \$1.2 million outstanding balance of such notes. Also in 1995, TeleTech paid a dividend of approximately \$452,000 to Mr. Tuchman.

TeleTech believes that all transactions disclosed above have been, and TeleTech's Board of Directors intends that any future transactions with its officers, directors, affiliates or principal stockholders will be, on terms that are no less favorable to TeleTech than those that are obtainable in arms' length transactions with unaffiliated third parties.

# PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of the Company's Common Stock as of May 15, 1996, and as adjusted to reflect the sale of shares of Common Stock being offered hereby, by (i) each stockholder who is known by the Company to beneficially own more than 5% of the currently outstanding shares of Common Stock, (ii) each of the Company's directors and the Named Executive Officers, (iii) all directors and executive officers of the Company as a group and (iv) the Selling Stockholders.

DIRECTORS, EXECUTIVES OFFICERS AND CERTAIN STOCKHOLDERS (1)	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING		NUMBER OF SHARES BEING OFFERED (2)	SHARES BENEFICIALLY OWNED AFTER THE OFFERING	
	NUMBER	PERCENT		NUMBER	PERCENT
Kenneth D. Tuchman.....	40,700,000(3)	79.7%	1,000,000	39,700,000	72.1%
Joseph D. Livingston.....	354,167(4)	*	--	354,167	*
Steven B. Coburn.....	--	*	--	--	*
Alan Silverman.....	345,830(5)(6)	*	--	345,830	*
Richard Weingarten.....	87,500(6)(7)	*	--	255,834(7)	*
Samuel Zell.....	8,575,000(8)	16.8	950,000(9)	2,570,973(8)	4.7%
All directors and executive officers as a group (6 persons).....	50,049,997	98.1	1,950,000(10)	42,647,637	77.7
Jack Silverman.....	258,340(11)	*	50,000	208,340	*
TeleTech Investors General Partnership c/o Equity Group Investments, Inc. Two North Riverside Plaza Chicago, Illinois 60606.....	8,525,000(12)	16.7	950,000	--	*

\* Less than one percent

(1)The address of each director and executive officer is in care of the Company, 1700 Lincoln Street, Suite 1400, Denver, Colorado 80203.

(2)Assumes no exercise of the Underwriters' over-allotment option. If the Underwriters' over-allotment option is exercised, Mr. Tuchman will sell up to 900,000 additional shares and, assuming all such shares are sold, he will beneficially own 38,800,000 shares or 70.5% of the total outstanding shares.

(3)Mr. Tuchman is the founder, Chairman of the Board of Directors, President and Chief Executive Officer of TeleTech. See "Management."

(4)Includes 354,167 shares of Common Stock subject to options granted under the Option Plan, which are exercisable as of the date of this Prospectus. Mr. Livingston is the Senior Vice President and Chief Operating Officer of the Company. See "Management."

(5)Includes 258,330 shares of Common Stock issuable upon conversion of 51,666 shares of Preferred Stock owned by Mr. Silverman, which he has agreed to convert into Common Stock pursuant to the Preferred Stock Conversion, and 87,500 shares subject to options exercisable as of the date of this Prospectus. See note (6) below.

(6)Includes 87,500 shares of Common Stock subject to options granted to each of Messrs. Silverman and Weingarten under the Directors Option Plan. See "Management--Compensation of Directors."

(7) Mr. Weingarten, as a general partner of TeleTech Investors General Partnership ("TIGP"), owns an undivided interest in the 8,525,000 shares of Common Stock issuable upon conversion of TIGP's 1,705,000 shares of Preferred Stock. Zell General Partnership, Inc., an affiliate of Mr. Zell and the managing general partner of TIGP (the "Managing General Partner"), has the sole power to vote and dispose of these shares. Upon dissolution of TIGP (see note (8) below), Mr. Weingarten will receive a



distribution of his proportionate share of the net proceeds from TIGP's sale of Common Stock and the remaining shares of Common Stock not sold by TIGP in the Offering. Following such distribution, Mr. Weingarten will own 255,834 shares of Common Stock, which includes 87,500 shares of Common Stock subject to options granted under the Directors Option Plan.

- (8) Includes 50,000 shares of Common Stock subject to options granted to Mr. Zell under the Directors Option Plan and, prior to the Offering 8,525,000 shares of Common Stock issuable upon conversion of the 1,705,000 shares of Preferred Stock owned by TIGP. See note (10) below and "Certain Relationships and Related Party Transactions." The Managing General Partner has agreed to convert, pursuant to the Preferred Stock Conversion, all of its shares of Preferred Stock into shares of Common Stock. The Company has been advised that, immediately after the closing of the Offering, TIGP will be dissolved and the net proceeds from TIGP's sale of Common Stock, and the remaining shares of Common Stock not sold by TIGP in the Offering, will be distributed to its partners. Following such distribution, Mr. Zell will beneficially own 2,570,973 shares of Common Stock, which includes 50,000 shares of Common Stock subject to options granted under the Directors Option Plan. See "Management" and "Certain Relationships and Related Party Transactions."
- (9) Represents the shares being sold by TIGP.
- (10) Represents the shares being sold by Mr. Tuchman and TIGP.
- (11) The shares reflected in the table are issuable upon conversion of, and Mr. Silverman has agreed to convert in the Preferred Stock Conversion, his 51,668 shares of Preferred Stock into shares of Common Stock.
- (12) Includes 8,525,000 shares of Common Stock issuable upon the conversion, to occur immediately prior and subject to consummation of the Offering, of the 1,705,000 shares of Preferred Stock owned by TIGP. The Company has been advised that, immediately after the closing of the Offering, TIGP will be dissolved and its assets will be distributed to its partners. See notes (7) and (8) above.

## DESCRIPTION OF CAPITAL STOCK

Pursuant to the Company's Certificate of Incorporation, the Company has authority to issue an aggregate of 51,860,000 shares of capital stock, consisting of 50,000,000 shares of Common Stock, par value \$.002 per share, and 1,860,000 shares of Preferred Stock, par value \$6.45 per share. As of May 15, 1996, after giving effect to the five-for-one stock split, the Company's issued and outstanding capital stock consisted of 41,746,240 shares of Common Stock, held by five holders of record, and 1,860,000 shares of Preferred Stock, held by four holders of record. Pursuant to the Preferred Stock Conversion, the holders of all of the issued and outstanding shares of Preferred Stock have agreed to convert, immediately prior and subject to the closing of the Offering, all of the 1,860,000 shares of Preferred Stock owned by them into an aggregate of 9,300,000 shares of Common Stock. Thus, no information regarding the currently outstanding Preferred Stock is set forth below.

Concurrently with the closing of the Offering, officers of the Company will cause to be filed in Delaware and to take effect a Restated Certificate of Incorporation of the Company (the "Restated Certificate"). Under the Restated Certificate, the Company will have authority to issue an aggregate of 160,000,000 shares of capital stock, consisting of 150,000,000 shares of Common Stock, par value \$.002 per share, and 10,000,000 shares of preferred stock.

Set forth below is a description of the Common Stock, and of preferred stock that may be issued, under the Restated Certificate.

### COMMON STOCK

The rights of the holders of the Common Stock discussed below are subject to such rights as the Board of Directors may hereafter confer on the holders of the preferred stock; accordingly, rights conferred on holders of preferred stock issued under the Restated Certificate may adversely affect the rights of holders of the Common Stock.

Subject to the right of holders of Preferred Stock, the holders of outstanding shares of Common Stock are entitled to receive dividends out of assets legally available therefor, at such times and in such amounts as the Board of Directors may from time to time determine. See "Dividend Policy." The shares of Common Stock are neither redeemable nor convertible and the holders thereof have no preemptive or subscription rights to purchase any securities of the Company. Upon liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to receive, PRO RATA, the assets of the Company that are legally available for distribution, after payment of all debts and other liabilities and subject to the prior rights of any holders of Preferred Stock then outstanding. Each outstanding share of Common Stock is entitled to one vote on all matters submitted to a vote of stockholders. There is no cumulative voting in the election of directors.

### PREFERRED STOCK

The Restated Certificate authorizes the Board of Directors to issue preferred stock in classes or series and to establish the designations, preferences, qualifications, limitations or restrictions of any class or series with respect to, among other things, the rate and nature of dividends, the price, terms and conditions on which shares may be redeemed, the terms and conditions for conversion or exchange into any other class or series of the stock and voting rights. The Company will have authority, without approval of the holders of Common Stock, to issue preferred stock that has voting, dividend or liquidation rights superior to the Common Stock and that may adversely affect the rights of holders of Common Stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, adversely affect the voting power of the holders of Common Stock and could have the effect of delaying, deferring or preventing a change in control of the Company. The Company currently has no plans to issue any shares of preferred stock.

### DELAWARE STATUTORY BUSINESS COMBINATION PROVISION

Section 203 of the Delaware General Corporation Law ("DGCL") is applicable to corporate takeovers in Delaware. Subject to certain exceptions set forth therein, Section 203 of the DGCL provides that a corporation shall not engage in any business combination with any "interested stockholder" for a three-year

period following the date that such stockholder becomes an interested stockholder unless (a) prior to such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder, (b) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding certain specified shares) or (c) on or subsequent to such date, the business combination is approved by the board of directors of the corporation and by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder. Except as specified therein, an "interested stockholder" is defined to include any person that is (i) the owner of 15% or more of the outstanding voting stock of the corporation, (ii) an affiliate or associate of that corporation and was the owner of 15% or more of the outstanding voting stock of the corporation, at any time within three years immediately prior to the relevant date, and (iii) an affiliate or associate of the persons described in the foregoing clauses (i) or (ii). Under certain circumstances, Section 203 of the DGCL makes it more difficult for an "interested stockholder" to effect various business combinations with a corporation for a three-year period, although the stockholders may, by adopting an amendment to the corporation's certificate of incorporation or By-laws, elect for the corporation not to be governed by Section 203, effective twelve months after adoption. None of the Certificate of Incorporation, the Restated Certificate and the By-laws exempt the Company from the restrictions imposed under Section 203 of the DGCL. It is anticipated that the provisions of Section 203 of the DGCL may encourage companies interested in acquiring the Company to negotiate in advance with the Board of Directors of the Company because the stockholder approval requirement would be avoided if a majority of the directors then in office approve either the business combination or the transaction that results in the stockholder becoming an interested stockholder.

#### TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Common Stock is

## SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the Offering, TeleTech will have outstanding 55,046,240 shares of Common Stock. Of these outstanding shares of Common Stock, 8,015,200 shares, including the shares to be sold in the Offering, will be freely tradeable without restriction or further registration under the Securities Act, unless purchased by "affiliates" of TeleTech, as that term is defined in Rule 144 promulgated under the Securities Act. The remaining 49,031,040 shares of Common Stock are "restricted securities" as the term is defined in Rule 144 ("Restricted Shares"). Restricted Shares may be sold in the public market only if registered or if such shares qualify for an exemption from registration under Rules 144 or 701 promulgated under the Securities Act, which are summarized below. Sales of the Restricted Shares in the public market, or the availability of such shares for sale, could adversely affect the market price of the Common Stock.

All officers and directors and certain stockholders (including the Selling Stockholders) and option holders of TeleTech have agreed that they will not, directly or indirectly, without the prior written consent of Morgan Stanley & Co. Incorporated, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any shares of Common Stock or any securities convertible into or exchangeable for Common Stock, for a period of 180 days after the date of this Prospectus. The Company has been advised that TIGP, one of the Selling Stockholders, intends to dissolve after the Offering and distribute its shares of Common Stock to its partners, provided that all of such partners have agreed to be bound by the 180-day lock-up arrangement. The number of outstanding shares subject to the lock-up arrangements that will be available for sale in the public market, upon expiration of the 180-day lock-up period, will be approximately shares. The approximately remaining Restricted Shares will become eligible for sale upon expiration of their respective two-year holding periods or upon exercise of the registration rights described below.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned Restricted Shares for at least two years (including, in certain circumstances, the holding period of a prior owner) would be entitled to sell within any three-month period a number of shares that does not exceed the greater of: (i) one percent of the number of shares of Common Stock then outstanding (which will equal approximately 570,400 shares immediately after the Offering); or (ii) the average weekly trading volume of the Common Stock during the four calendar weeks preceding the filing of a Form 144 with respect to such sale. Sales under Rule 144 are also subject to certain "manner of sale" provisions and notice requirements and to the availability of current public information about TeleTech. Under Rule 144(k), a person who is not deemed to have been an affiliate of TeleTech at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least three years (including, in certain circumstances, the holding period of a prior owner), is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144; therefore, unless otherwise restricted, "144(k) shares" may be sold immediately upon the completion of the Offering.

In addition, any employee, officer or director of or consultant to TeleTech who purchased his or her shares pursuant to a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701. Rule 701 permits affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that non-affiliates may sell such shares in reliance on Rule 144 without having to comply with the public information, volume limitation or notice provisions of Rule 144.

Following the Offering, the Company intends to file under the Securities Act one or more registration statements on Form S-8 to register all of the shares of Common Stock (i) subject to outstanding options and reserved for future option grants under the Option Plan and (ii) subject to options granted outside of the Option Plan. These registration statements are expected to become effective upon filing and shares covered by these registration statements will be eligible for sale, subject, in the case of affiliates only, to the restrictions of Rule 144, other than the holding period requirement, and subject to expiration of the lock-up agreements with the Underwriters.

Pursuant to the Amended and Restated Investment Agreement to take effect upon the closing of the Offering, the Existing Stockholders are entitled, by majority vote, to require TeleTech, at its sole expense, to register under the Securities Act all or part of their Common Stock. In addition, if TeleTech proposes to register any of its securities under the Securities Act for its own account, the Existing Stockholders may require TeleTech, at its sole expense, to include in such registration all or part of the 9,300,000 shares of Common Stock owned by the Existing Stockholders. These registration rights will continue in effect following the Preferred Stock Conversion and the closing of the Offering. An aggregate of 1,000,000 such shares are being registered by the Selling Stockholder in connection with the Offering. See "Compensation Committee Interlocks and Insider Participation."

Under the terms of the Stock Transfer and Registration Rights Agreement, if TeleTech proposes to register any of its securities under the Securities Act for its own account, the Common Stockholders may require TeleTech, at its sole expense, to include in such registration all or part of the 970,240 shares of Common Stock held by the Common Stockholders. None of such shares are being registered in connection with the Offering. See "Certain Relationships and Related Party Transactions."

CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS  
FOR NON-U.S. HOLDERS OF COMMON STOCK

The following discussion concerns the material United States federal income and estate tax consequences of the ownership and disposition of shares of Common Stock applicable to Non-U.S. Holders of such shares of Common Stock. In general, a "Non-U.S. Holder" is any holder other than (i) a citizen or resident of the United States, (ii) a corporation or partnership created or organized in the United States or under the law of the United States or any State or (iii) an estate or trust whose income is includible in gross income for United States federal income tax purposes regardless of its source. The discussion is based on current law, which is subject to change retroactively or prospectively, and is for general information only. The discussion does not address all aspects of federal income and estate taxation and does not address any aspects of state, local or non-U.S. tax laws. The discussion does not consider any specific facts or circumstances that may apply to a particular Non-U.S. Holder (including the fact that in the case of a Non-U.S. Holder that is a partnership, the United States tax consequences of holding and disposing of shares of Common Stock may be affected by certain determinations made at the partner level). Accordingly, prospective investors are urged to consult their tax advisors regarding the United States federal, state, local and non-U.S. income and other tax consequences of holding and disposing of shares of Common Stock.

**DIVIDENDS.** Dividends, if any (see "Dividend Policy"), paid to a Non-U.S. Holder generally will be subject to United States withholding tax at a 30% rate (or a lower rate as may be prescribed by an applicable tax treaty) unless the dividends are effectively connected with a trade or business of the Non-U.S. Holder within the United States. Dividends effectively connected with a trade or business will generally not be subject to withholding (if the Non-U.S. Holder properly files an executed United States Internal Revenue Service ("IRS") Form 4224 with the payor of the dividend) and generally will be subject to United States federal income tax on a net income basis at regular graduated rates. In the case of a Non-U.S. Holder which is a corporation, such effectively connected income also may be subject to the branch profits tax (which is generally imposed on a foreign corporation on the repatriation from the United States of effectively connected earnings and profits). The branch profits tax may not apply if the recipient is a qualified resident of certain countries with which the United States has an income tax treaty. To determine the applicability of a tax treaty providing for a lower rate of withholding, dividends paid to a stockholder's address of record in a foreign country are presumed, under the current IRS position, to be paid to a resident of that country, unless the payor has knowledge that such presumption is not warranted or an applicable tax treaty (or United States Treasury Regulations thereunder) requires some other method for determining a non-U.S. Holder's residence. However, recently proposed U.S. Treasury Regulations, if adopted, would modify the forms and procedures for this certification.

**SALE OF COMMON STOCK.** Generally, a Non-U.S. Holder will not be subject to United States federal income tax on any gain realized upon the disposition of such holder's shares of Common Stock unless (i) the gain is effectively connected with a trade or business carried on by the Non-U.S. Holder with the United States (in which case the branch profits tax may apply); (ii) the Non-U.S. Holder is an individual who holds the shares of Common Stock as a capital asset and is present in the United States for 183 days or more in the taxable year of the disposition and to whom such gain is United States source; (iii) the Non-U.S. Holder is subject to tax pursuant to the provisions of U.S. tax law applicable to certain former United States citizens or residents; or (iv) the Company is or has been a "U.S. real property holding corporation" for federal income tax purposes (which the Company does not believe that it is or is likely to become) at any time during the five year period ending on the date of disposition (or such shorter period that such shares were held) and, subject to certain exceptions, the Non-U.S. Holder held, directly or indirectly, more than five percent of the Common Stock.

**ESTATE TAX.** Shares of Common Stock owned or treated as owned by an individual who is not a citizen or resident (as specifically defined for United States federal estate tax purposes) of the United States at the time of death may be subject to United States federal estate tax.

## BACKUP WITHHOLDING AND INFORMATION REPORTING

**DIVIDENDS.** The Company must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to and the tax withheld, if any, with respect to such holder. These information reporting requirements apply regardless of whether withholding was reduced by an applicable tax treaty. Copies of these information returns may also be available under the provisions of a specific treaty or agreement with the tax authorities in the country in which the Non-U.S. Holder resides. Dividends that are subject to United States withholding tax at the 30% statutory rate or at a reduced tax treaty rate and dividends that are effectively connected with the conduct of a trade or business in the United States (if certain certification and disclosure requirements are met) are exempt from backup withholding of U.S. federal income tax. In general, backup withholding at a rate of 31% and information reporting will apply to other dividends paid on shares of Common Stock to holders that are not "exempt recipients" and fail to provide in the manner required certain identifying information (such as the holder's name, address and taxpayer identification number). Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

**DISPOSITIONS OF COMMON STOCK.** The payment of the proceeds from the disposition of shares of Common Stock through the United States office of a broker will be subject to information reporting and backup withholding unless the holder, under penalties of perjury, certifies, among other things, its status as a Non-U.S. Holder, or otherwise establishes an exemption. Generally, the payment of the proceeds from the disposition of shares of Common Stock to or through a non-U.S. office of a broker will not be subject to backup withholding and will not be subject to information reporting. In the case of the payment of proceeds from the disposition of shares of Common Stock through a non-U.S. office of a broker that is a U.S. person or a "U.S.-related person," existing regulations require information reporting (but not backup withholding) on the payment unless the broker receives a statement from the owner, signed under penalties of perjury, certifying, among other things, its status as a Non-U.S. Holder, or the broker has documentary evidence in its files that the owner is a Non-U.S. Holder and the broker has no actual knowledge to the contrary. For tax purpose, a "U.S.-related person" is (i) a "controlled foreign corporation" for United States federal income tax purposes or (ii) a foreign person 50% or more of whose gross income from all sources for the three year period ending with the close of its taxable year preceding the payment (or for such part of the period that the broker has been in existence) is derived from activities that are effectively connected with the conduct of a United States trade or business.

Any amount withheld from a payment to a Non-U.S. Holder under the backup withholding rules will be allowed as a credit against such holder's United States federal income tax liability and may entitle such holder to a refund, provided that the required information is furnished to the IRS. Non-U.S. Holders should consult their tax advisors regarding the application of these rules to their particular situations, the availability of an exemption therefrom and the procedures for obtaining such an exemption, if available.

# UNDERWRITERS

Under the terms and subject to conditions contained in an Underwriting Agreement dated the date hereof, the U.S. Underwriters named below, for whom Morgan Stanley & Co. Incorporated, Alex. Brown & Sons Incorporated and Smith Barney Inc. are serving as U.S. Representatives, have severally agreed to purchase, and the Company and the Selling Stockholders have severally agreed to sell, and the International Underwriters named below, for whom Morgan Stanley & Co. International Limited, Alex. Brown & Sons Incorporated and Smith Barney Inc. are serving as International Representatives (collectively with the U.S. Representatives, the "Representatives"), have severally agreed to purchase, and the Company and the Selling Stockholders have severally agreed to sell, the respective number of shares of Common Stock that in the aggregate equal the number of shares set forth opposite the names of such Underwriters below:

NAME	NUMBER OF SHARES
-----	
U.S. Underwriters:	
Morgan Stanley & Co. Incorporated.....	
Alex. Brown & Sons Incorporated.....	
Smith Barney Inc.....	
Subtotal.....	
	-----
International Underwriters:	
Morgan Stanley & Co. International Limited.....	
Alex. Brown & Sons Incorporated.....	
Smith Barney Inc.....	
Subtotal.....	
	-----
Total.....	
	-----
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The U.S. Underwriters and the International Underwriters are collectively referred to as the "Underwriters." The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the shares of Common Stock offered hereby are subject to the approval of certain legal matters by counsel and to certain other conditions, including the conditions that no stop order suspending the effectiveness of the Registration Statement is in effect and no proceedings for such purpose are pending before or threatened by the Securities and Exchange Commission and that there has been no material adverse change or any development involving a prospective material adverse change in the earnings, results of operations or financial condition of the Company and its subsidiaries, taken as a whole, from that set forth in the Registration Statement. The Underwriters are obligated to take and pay for all of the shares of Common Stock offered hereby (other than those covered by the over-allotment option described below) if any are taken.

Pursuant to the Agreement Between U.S. and International Underwriters, each U.S. Underwriter has represented and agreed that, with certain exceptions set forth below, (i) it is not purchasing any U.S. Shares (as defined below) for the account of anyone other than a United States or Canadian Person (as defined below) and (ii) it has not offered or sold, and will not offer or sell, directly or indirectly, any U.S. Shares or distribute this Prospectus outside the United States or Canada or to anyone other than a United States or Canadian Person. Pursuant to the Agreement Between U.S. and International Underwriters, each International Underwriter has represented and agreed that, with certain exceptions set forth below, (a) it is not purchasing any International Shares (as defined below) for the account of any United States or Canadian Person and (b) it has not offered or sold, and will not offer or sell, directly or indirectly, any International Shares or distribute this Prospectus within the United States or Canada or to any United States or Canadian Person. The foregoing limitations do not apply to stabilization transactions or to certain other transactions specified in the Agreement Between U.S. and International Underwriters. With respect to Smith Barney Inc.



and Alex. Brown & Sons Incorporated, the foregoing representations or agreements (a) made by them in their capacity as U.S. Underwriters shall apply only to shares of Common Stock purchased by them in their capacity as U.S. Underwriters, (b) made by them in their capacity as International Underwriters shall apply only to shares of Common Stock purchased by them in their capacity as International Underwriters and (c) shall not restrict their ability to distribute this Prospectus to any person. As used herein, "United States or Canadian Person" means any national or resident of the United States or Canada or any corporation, pension, profit-sharing or other trust or other entity organized under the laws of the United States or Canada or of any political subdivision thereof (other than a branch located outside of the United States and Canada of any United States or Canadian Person) and includes any United States or Canadian branch of a person who is not otherwise a United States or Canadian Person, and "United States" means the United States of America, its territories, its possessions and all areas subject to its jurisdiction. All shares of Common Stock to be offered by the U.S. Underwriters and International Underwriters under the Underwriting Agreement are referred to herein as the "U.S. Shares" and the "International Shares," respectively.

Pursuant to the Agreement Between U.S. and International Underwriters, sales may be made between the U.S. Underwriters and the International Underwriters of any number of shares of Common Stock to be purchased pursuant to the Underwriting Agreement as may be mutually agreed. The per share price and currency settlement of any shares of Common Stock so sold shall be the public offering price range set forth on the cover page hereof, in United States dollars, less an amount not greater than the per share amount of the concession to dealers set forth below.

Pursuant to the Agreement Between U.S. and International Underwriters, each U.S. Underwriter has represented that it has not offered or sold, and has agreed not to offer or sell, any shares of Common Stock, directly or indirectly, in Canada in contravention of the securities laws of Canada or any province or territory thereof and has represented that any offer of such shares in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer is made. Each U.S. Underwriter has further agreed to send to any dealer who purchases from it any shares of Common Stock a notice starting in substance that, by purchasing such shares, such dealer represents and agrees that it has not offered or sold, and will not offer or sell, directly or indirectly, any of such shares in Canada in contravention of the securities laws of Canada or any province or territory thereof and that any offer of shares of Common Stock in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer is made, and that such dealer will deliver to any other dealer to whom it sells any of such shares a notice to the foregoing effect.

Pursuant to the Agreement Between U.S. and International Underwriters, each International Underwriter has represented that (i) it has not offered or sold and will not offer or sell any shares of Common Stock to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the "Regulations"); (ii) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 and the Regulations with respect to anything done by it in relation to such shares in, from or otherwise involving the United Kingdom; and (iii) it has only issued or passed on and will only issue or pass on to any person in the United Kingdom any document received by it in connection with the issue of such shares, if that person is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1995, or is a person to whom such document may otherwise lawfully be issued or passed on.

Pursuant to the Agreement Between U.S. and International Underwriters, each International Underwriter has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, in Japan or to or for the account of any resident thereof, any shares of Common Stock acquired in connection with the Offering, except for offers or sales of Japanese International Underwriters or dealers and except pursuant to any exemption from the registration requirements of the Securities and Exchange Law of Japan. Each International Underwriter has further agreed to send to any dealer who purchases from it any of such shares of Common Stock a notice stating in substance that such dealer may not offer or sell any

of such shares, directly or indirectly, in Japan or to or for the account of any resident thereof, except pursuant to any exemption from the registration requirements of the Securities and Exchange Law of Japan, and that such dealer will send to any other dealer to whom it sells any of such shares a notice to the foregoing effect.

The Underwriters propose to offer part of the shares of Common Stock offered hereby directly to the public at the public offering price set forth in the cover page hereof and part to certain dealers at a price which represents a concession not in excess of \$     per share under the public offering price. The Underwriters may allow, and such dealers may re-allow, a concession not in excess of \$     per share to other Underwriters or to certain other dealers. After the initial offering of the shares of Common Stock, the offering price and other selling terms may from time to time be varied by the Representatives.

Pursuant to the Underwriting Agreement, Mr. Tuchman, one of the Selling Stockholders, has granted to the U.S. Underwriters an option, exercisable for 30 days from the date of this Prospectus, to purchase up to an additional 900,000 shares of Common Stock at the public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The U.S. Underwriters may exercise such option to purchase solely for the purpose of covering over-allotments, if any, incurred in the sale of the shares of Common Stock offered hereby. To the extent such option is exercised, each U.S. Underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares as the number set forth next to such U.S. Underwriters' name in the preceding table bears to the total number of shares of Common Stock offered hereby to the U.S. Underwriters.

The Representatives have informed the Company and the Selling Stockholders that the Underwriters do not intend to confirm sales to accounts over which they exercise discretionary authority.

The Company, the Selling Stockholders and the Underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

See "Shares Eligible for Future Sale" for a description of certain arrangements by which all officers, directors and certain stockholders and option holders of the Company have agreed not to sell or otherwise dispose of Common Stock or convertible securities of the Company for up to 180 days after the date of this Prospectus without the prior consent of Morgan Stanley & Co. Incorporated. The Company and the Selling Stockholders have agreed in the Underwriting Agreement that they will not, directly or indirectly, without the prior written consent of Morgan Stanley & Co. Incorporated, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any shares of Common Stock or any securities convertible into or exchangeable for Common Stock, for a period of 180 days after the date of this Prospectus, except under certain circumstances. TIGP, one of the Selling Stockholders, is permitted to distribute its remaining shares of Common Stock to its partners, provided that all of such partners have agreed to be bound by the 180-day lock-up arrangement.

#### PRICING OF THE OFFERING

Prior to the Offering, there has been no public market for the Company's Common Stock. The initial public offering price will be determined by negotiation between the Company and the Representatives. Among the factors to be considered in determining the initial public offering price will be the future prospects of the Company and its industry in general, revenues, earnings and certain other financial and operating information of the Company in recent periods and the price-earnings ratios, price-revenues ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to those of the Company. The estimated initial public offering price range set forth on the cover page of this Preliminary Prospectus is subject to change as a result of market conditions and other factors.

#### LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for TeleTech by Neal, Gerber & Eisenberg, Chicago, Illinois. Certain legal matters in connection with the Offering will be passed upon for the Underwriters by Katten Muchin & Zavis, Chicago, Illinois.

#### EXPERTS

The financial statements of TeleTech as of December 31, 1994 and 1995, and for each of the two years in the period ended December 31, 1995 and the financial statements Access 24 for the 10 months ended December 31, 1995 and for the year ended February 28, 1995 included in this Prospectus and elsewhere in the Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

The financial statements of TeleTech as of December 31, 1993 and for the 11 month period ended December 31, 1993 included in this Prospectus and elsewhere in the Registration Statement have been audited by Gumbiner, Savett, Finkel, Fingleson & Rose, Inc. (formerly Gumbiner, Savett, Friedman & Rose, Inc.), independent public accountants, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

#### ADDITIONAL INFORMATION

TeleTech has filed with the Commission under the Securities Act a Registration Statement on Form S-1 with respect to the Common Stock offered hereby. This Prospectus, which constitutes a part of the Registration Statement, omits certain of the information contained in the Registration Statement and the exhibits and schedules thereto on file with the Commission pursuant to the Securities Act and the rules and regulations of the Commission thereunder. For further information with respect to TeleTech and the Common Stock, reference is made to the Registration Statement and the exhibits and schedules thereto. The Registration Statement, including exhibits and schedules thereto, may be inspected and copied at the public reference facilities maintained by the Commission, including at the Commission's Public Reference Room, 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, and at the Commission's Regional Offices at 7 World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies may be obtained at prescribed rates from the Public Reference Section of the Commission as its principal office in Washington, D.C.

Statements contained in this Prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the copy of such contract or other documents filed as an exhibit to the Registration Statement, each such statement being qualified in its entirety by such reference.

INDEX TO FINANCIAL STATEMENTS  
TELETECH HOLDINGS, INC.

	PAGE
	-----
Report of Gumbiner, Savett, Finkel, Fingleson & Rose, Inc. (formerly Gumbiner, Savett, Friedman & Rose, Inc.).....	F-2
Report of Arthur Andersen LLP.....	F-3
Consolidated and Combined Balance Sheets as of December 31, 1994 and 1995, and March 31, 1996.....	F-4
Consolidated and Combined Statements of Income for the eleven months ended December 31, 1993, the years ended December 31, 1994 and 1995 and the three months ended March 31, 1995 and 1996.....	F-6
Consolidated and Combined Statements of Stockholders' Equity for the years ended December 1994 and 1995....	F-7
Consolidated and Combined Statements of Cash Flows for the eleven months ended December 31, 1993, the years ended December 31, 1994 and 1995 and the three months ended March 31, 1995 and 1996.....	F-8
Notes to Consolidated and Combined Financial Statements for the years ended December 31, 1994 and 1995 and for the eleven months ended December 31, 1993 and for the three months ended March 31, 1995 and 1996.....	F-10

ACCESS 24 SERVICE CORPORATION PTY LIMITED  
AND CONTROLLED ENTITIES

	PAGE
	-----
Consolidated Balance Sheets as of February 29, 1995 and December 31, 1995.....	F-26
Consolidated Profit and Loss Accounts for the year ended February 28, 1995 and the ten months ended December 31, 1995.....	F-27
Consolidated Statements of Cash Flows for the year ended February 28, 1995 and the ten months ended December 31, 1995.....	F-28
Notes to the Consolidated Financial Statements for the years ended February 28, 1995 and the ten months ended December 31, 1995.....	F-29

INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
TeleTech Holdings, Inc.  
Denver, Colorado

We have audited the accompanying combined statements of income and cash flows of TeleTech Telecommunications, Inc. and TeleTech Teleservices, Inc. ("the Companies") (see Note 1) for the eleven months ended December 31, 1993. These combined statements of income and cash flows are the responsibility of the Companies' management. Our responsibility is to express an opinion on these combined statements of income and cash flows based on our audit.

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

In our opinion, the combined statements of income and cash flows referred to above present fairly, in all material respects, the results of the Companies' operations and cash flows for the eleven months ended December 31, 1993 in conformity with generally accepted accounting principles.

GUMBINER, SAVETT, FINKEL, FINGLESON & ROSE, INC.  
(formerly Gumbiner, Savett, Friedman & Rose, Inc.)

Santa Monica, California  
April 13, 1994

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To TeleTech Holdings, Inc.:

We have audited the accompanying consolidated and combined balance sheets of TELETECH HOLDINGS, INC. (a Delaware corporation) and subsidiaries, as of December 31, 1994 and 1995, and the related consolidated and combined statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated and combined financial statements referred to above present fairly, in all material respects, the consolidated and combined financial position of TeleTech Holdings, Inc. and subsidiaries as of December 31, 1994 and 1995, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Denver, Colorado,  
February 10, 1996.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the members of  
Access 24 Service Corporation Pty Limited

We have audited the accompanying financial statements of Access 24 Service Corporation Pty Limited and Controlled Entities and of the economic entity for the periods ended 28 February 1995 and December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on those financial statements based on our audit.

We conducted our audit in accordance with Australian Auditing Standards, which do not differ substantially from generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Access 24 Service Corporation Pty Limited and Controlled Entities as of 28 February 1995 and December 31, 1995, and the results of the group's operations and cash flows for the periods then ended in accordance with Australian Accounting Standards.

There are certain differences between Australian Accounting Standards and those generally accepted in the United States of America. Application of the generally accepted accounting principles in the United States of America would not result in material differences to these financial statements.

ARTHUR ANDERSEN

Chartered Accountants

/s/ Arthur Andersen Chartered  
Accountants

Sydney, Australia,

May 21, 1996

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES

CONSOLIDATED AND COMBINED BALANCE SHEETS

ASSETS	DECEMBER 31		MARCH 31, 1996 (UNAUDITED)	PRO FORMA MARCH 31, 1996 (UNAUDITED) (NOTE 1)
	1994	1995		
CURRENT ASSETS:				
Cash and cash equivalents.....	\$ 37,733	\$ 42,304	\$ 728,403	
Short-term investments.....	--	10,361,213	8,203,527	
Accounts receivable, net of allowance for doubtful accounts of \$172,512, \$788,907 and \$896,685, respectively.....	4,298,147	9,786,123	14,280,609	
Prepays and other assets.....	201,439	238,022	608,896	
Deposits.....	123,883	220,243	432,010	
Deferred tax asset (Note 8).....	--	485,742	637,720	
Total current assets.....	4,661,202	21,133,647	24,891,165	
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$3,935,136, \$6,059,424 and \$6,987,766, respectively.....	5,386,456	9,103,701	16,308,351	
OTHER ASSETS:				
Deposits.....	53,968	--	--	
Deferred contract costs (Note 1).....	--	345,978	1,731,234	
Goodwill (net of amortization of \$108,000) (Note 1).....	--	--	6,272,193	
Other assets.....	--	--	251,297	
Total assets.....	\$ 10,101,626	\$ 30,583,326	\$ 49,454,240	

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



TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES

CONSOLIDATED AND COMBINED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31		MARCH 31, 1996 (UNAUDITED)	PRO FORMA MARCH 31, 1996 (UNAUDITED) (NOTE 1)
	1994	1995		
CURRENT LIABILITIES:				
Bank overdraft.....	\$ 560,490	\$ 1,427,017	\$ --	
Short term borrowings (Note 6).....	638,635	1,000,000	3,500,000	
Current portion of capital lease obligations (Note 4).....	401,001	1,255,966	2,129,440	
Current portion of other long-term debt (Note 5).....	624,483	195,660	189,443	
Current portion of subordinated notes payable to stockholder (Note 7).....	145,299	--	--	
Accounts payable.....	1,442,503	2,604,297	4,820,221	
Accrued employee compensation.....	962,664	1,742,915	3,452,438	
Other accrued expenses.....	475,142	1,261,984	4,322,239	
Customer advances and deposits.....	165,756	292,626	537,282	
Deferred income.....	25,683	47,699	560,215	
Total current liabilities.....	5,441,656	9,828,164	19,511,278	
DEFERRED TAX LIABILITIES (Note 8).....	--	507,365	498,790	
LONG-TERM DEBT, net of current portion:				
Capital lease obligations (Note 4).....	911,578	3,192,997	5,408,307	
Subordinated note payable to stockholder (Note 7).....	959,038	--	--	
Other debt (Note 5).....	592,282	396,618	1,127,846	
Total liabilities.....	7,904,554	13,925,144	26,546,221	
COMMITMENTS AND CONTINGENCIES (Note 9)				
MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK (Notes 1 and 11):				
\$6.45 par value, 1,860,000 shares authorized, zero, 1,860,000, 1,860,000, and zero shares respectively issued and outstanding (including accrued dividends of zero, \$867,430, \$1,078,645 and zero).....	--	12,867,430	13,078,645	--
STOCKHOLDERS' EQUITY (Note 1):				
Common stock, \$.002 par value, 150,000,000 shares authorized, zero, 40,700,000, 41,746,240 and 51,046,240 shares, respectively issued and outstanding.....	--	81,400	83,493	102,093
Common stock of combined entities, no par value 10,000,000 shares authorized, 127,500, zero, zero and zero shares, respectively, issued and outstanding.....	25,000	--	--	--
Additional paid-in capital.....	--	2,172,072	7,401,179	20,461,224
Cumulative translation adjustment.....	--	--	141,095	141,095
Unearned compensation-restricted stock.....	--	--	(380,000)	(380,000)
Retained earnings.....	2,172,072	1,537,280	2,583,607	2,583,607
Total stockholders' equity.....	2,197,072	3,790,752	9,829,374	22,908,019
Total liabilities and stockholders' equity.....	\$ 10,101,626	\$ 30,583,326	\$ 49,454,240	

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

## CONSOLIDATED AND COMBINED STATEMENTS OF INCOME

The accompanying notes are an integral part of these statements.

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY

	MANDATORILY REDEEMABLE, CONVERTIBLE PREFERRED STOCK		STOCKHOLDERS' EQUITY				
			COMMON STOCK		COMMON STOCK OF COMBINED ENTITIES	ADDITIONAL PAID-IN CAPITAL	CUMULATIVE TRANSLATION ADJUSTMENT
	SHARES	AMOUNT	SHARES	AMOUNT			
BALANCES, January 1, 1994.....					\$ 25,000	\$ --	\$ --
Distribution to stockholder.....					--	--	--
Net income.....					--	--	--
BALANCES, December 31, 1994.....	--	\$ --	--	\$ --	25,000	--	--
Issue of Preferred Stock (Note 11)....	1,860,000	12,000,000	--	--	--	--	--
Adjustment to reclassify retained earnings to additional paid in capital upon termination of S corporation election (Note 11).....	--	--	--	--	--	2,172,072	--
Stock exchange (Note 1).....	--	--	40,700,000	81,400	(25,000)	--	--
Distribution to stockholder.....	--	--	--	--	--	--	--
Net Income.....	--	--	--	--	--	--	--
Dividends accrued on Preferred Stock (Note 11).....	--	867,430	--	--	--	--	--
BALANCES, December 31, 1995.....	1,860,000	12,867,430	40,700,000	81,400	--	2,172,072	--
Purchase of Access 24 (Note 16).....	--	--	970,240	1,941	--	4,849,259	--
Cumulative translation adjustments.....	--	--	--	--	--	--	141,095
Net income.....	--	--	--	--	--	--	--
Dividends accrued on Preferred Stock (Note 11).....	--	211,215	--	--	--	--	--
Issuance of restricted stock for compensation.....	--	--	76,000	152	--	379,848	--
BALANCES, March 31, 1996 (unaudited)....	1,860,000	13,078,645	41,746,240	83,493	--	7,401,179	141,095
Pro Forma adjustment to reflect conversion of Mandatorily Redeemable Preferred Stock to Common Stock (Note 11).....	(1,860,000)	(13,078,645)	9,300,000	18,600	--	13,060,045	--
BALANCES, Pro Forma March 31, 1996 (unaudited).....	--	\$ --	51,046,240	\$ 102,093	\$ --	\$20,461,224	\$ 141,095

	UNEARNED COMPENSATION- RESTRICTED STOCK	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
	-----	-----	-----
BALANCES, January 1, 1994.....	\$ --	\$ 917,098	\$ 942,098
Distribution to stockholder.....	--	(440,000)	(440,000)
Net income.....	--	1,694,974	1,694,974
	-----		-----
BALANCES, December 31, 1994.....	--	2,172,072	2,197,072
Issue of Preferred Stock (Note 11)....	--	--	--
Adjustment to reclassify retained earnings to additional paid in capital upon termination of S corporation election (Note 11).....	--	(2,172,072)	--
Stock exchange (Note 1).....	--	(56,400)	--
Distribution to stockholder.....	--	(1,694,974)	(1,694,974)
Net Income.....	--	4,156,084	4,156,084
Dividends accrued on Preferred Stock (Note 11).....	--	(867,430)	(867,430)
	-----		-----
BALANCES, December 31, 1995.....	--	1,537,280	3,790,752
Purchase of Access 24 (Note 16).....	--	--	4,851,200
Cumulative translation adjustments....	--	--	141,095
Net income.....	--	1,257,542	1,257,542
Dividends accrued on Preferred Stock (Note 11).....	--	(211,215)	(211,215)
Issuance of restricted stock for compensation.....	(380,000)	--	--
	-----		-----
BALANCES, March 31, 1996 (unaudited)....	(380,000)	2,583,607	9,829,374
Pro Forma adjustment to reflect conversion of Mandatorily Redeemable Preferred Stock to Common Stock (Note 11).....	--	--	13,078,645
	-----		-----
BALANCES, Pro Forma March 31, 1996 (unaudited).....	\$ (380,000)	\$2,583,607	\$22,908,019

The accompanying notes are an integral part of these statements.

## CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

The accompanying notes are an integral part of these statements.

## CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

The accompanying notes are an integral part of these statements.

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)

TeleTech Holdings, Inc. ("THI" or the "Company") is a provider of outsourced strategic customer care solutions for Fortune 1000 corporations in targeted industries in the United States, United Kingdom, Australia and New Zealand. Customer care encompasses a wide range of customer acquisition, retention and satisfaction programs designed to maximize the lifetime value of the relationship between the Company's clients and their customers.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements are comprised of the accounts of THI and its wholly owned subsidiaries, TeleTech Telecommunications, Inc., a California corporation ("TTC"), TeleTech Teleservices, Inc., a Colorado corporation ("TTS") and effective January 1, 1996, Access 24 and subsidiaries (Note 16), (jointly "the Group"). Prior to January 1, 1995, the Group comprised TTC and TTS, held under the common ownership of a sole stockholder ("the Stockholder"). Financial statements for 1993 and 1994 represent the combined financial statements of TTC and TTS.

In January 1995, a Preferred Stock Purchase Agreement and an Investment Agreement (collectively the "Agreements") were executed by TeleTech Investors General Partnership ("TIGP"), Essaness Theaters Corporation ("Essaness") and the Stockholder. The Stockholder of TTC and TTS contributed 100% of his shares in these companies to THI, a newly formed Delaware corporation, in exchange for 40,700,000 shares of THI's common stock, which constituted 100% of THI's outstanding stock. Concurrent with this stock exchange, TIGP and Essaness purchased an aggregate of 1,860,000 shares of THI's convertible preferred stock ("Preferred Stock") for \$12 million. The Preferred Stock is initially convertible into 9,300,000 shares of THI's common stock (Note 11). TIGP and Essaness purchased 1,705,000 and 155,000 shares of the Preferred Stock, respectively. The Agreements also required THI to enter into employment agreements with key executives, to obtain key man life and disability insurance policies and to adopt a stock option plan for key employees.

The exchange of stock constituted a reorganization of entities under common control and the assets and liabilities of TTC and TTS are reflected in the consolidated financial statements of THI based on their historical cost to TTC and TTS.

All intercompany balances and transactions have been eliminated in the consolidated and combined financial statements.

UNAUDITED PRO FORMA INFORMATION

If the offering contemplated by this Prospectus is consummated, all of the Preferred Stock outstanding at the closing date will be converted into shares of Common Stock ("Common Stock"). The unaudited pro forma balance sheet as of March 31, 1996, reflects the conversion of outstanding Preferred Stock at March 31, 1996 into 9,300,000 shares of Common Stock.

INTERIM FINANCIAL STATEMENTS

The consolidated financial statements of THI as of March 31, 1995 and 1996 presented herein have been prepared by THI without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments (consisting of only normal recurring accruals) which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of THI and subsidiaries as of March 31, 1995 and 1996, and for the periods then ended.

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)  
(CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
FOREIGN CURRENCY TRANSLATION

The assets and liabilities of the Company's foreign subsidiaries whose functional currency is other than the U.S. Dollar are translated at the exchange rates in effect on the reporting date, and income and expenses are translated at the weighted average exchange rate during the period. The net effect of translation gains and losses are not included in determining net income, but are accumulated as a separate component of shareholders' equity. Foreign currency transaction gains and losses are included in determining net income. Such gains and losses were not material for any period presented.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Additions, improvements, and major renewals are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. Amounts paid for software licenses and third-party packaged software are capitalized. Costs relating to the internal development of software are expensed as incurred.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, as follows:

Computer equipment and software.....	5 years
Telephone equipment.....	5 years
Furniture and fixtures.....	5-7 years
Leasehold improvements.....	5-7 years
Vehicles.....	5 years

Assets acquired under capital lease obligations are amortized over the life of the applicable lease of four to seven years (or the estimated useful lives of the assets, of four to seven years, where title to the leased assets passes to the Company on termination of the lease).

REVENUE RECOGNITION

The Company recognizes revenues at the time services are performed. The Company has certain contracts which are billed in advance. Accordingly, amounts billed but not earned under these contracts are excluded from revenues and included in deferred income.

RESEARCH AND DEVELOPMENT

Research and development costs are charged to operations when incurred and are included in operating expenses. Research and development costs amounted to approximately \$430,000, \$684,000, \$458,000, \$108,000 (unaudited) and \$102,000 (unaudited) for the eleven months ended December 31, 1993, the years ended December 31, 1994 and 1995, and the three-month periods ended March 31, 1995 and 1996, respectively.

DEFERRED CONTRACT COST

The Company defers certain direct costs incurred in connection with preparing to provide services under long-term facilities management agreements. Costs that have been deferred include the costs of hiring dedicated personnel to manage client-owned facilities, their related payroll and other directly associated costs from the time long-term facilities management agreements are entered into until the beginning of providing services. Such costs are amortized ratably over the life of the long-term facilities management agreements based on total estimated revenues to be earned under the agreements. Deferred contract costs



TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)  
(CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

at December 31, 1995 and March 31, 1996 include costs incurred in preparing to provide services under a five year agreement entered into in October, 1995, under which the Company began providing services during April 1996.

INTANGIBLE ASSETS

The excess of cost over the fair market value of tangible net assets and trademarks of acquired businesses is amortized on a straight-line basis over the periods of expected benefit of 15 years. Accumulated amortization of intangible assets for the three-month period ended March 31, 1996, was \$108,000 (unaudited). No amortization expense was recorded in prior periods.

Subsequent to an acquisition, the corporation continually evaluates whether later events and circumstances have occurred that indicate the remaining estimated useful life of an intangible asset may warrant revision or that the remaining balance of an intangible asset may not be recoverable. When factors indicate that an intangible asset should be evaluated for possible impairment, the corporation uses an estimate of the related business' undiscounted future cash flows over the remaining life of the asset in measuring whether the intangible asset is recoverable. Management does not consider that any provision for impairment of intangible assets is required.

INCOME TAXES

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109") which requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions which have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Net deferred tax assets are then reduced by a valuation allowance for amounts which do not satisfy the realization criteria of SFAS 109.

During 1993 and 1994, TTC and TTS were S corporations and their income was taxable to the Stockholder rather than the companies. Effective January 1, 1995, S corporation status terminated and THI and its domestic subsidiaries began to file consolidated corporate Federal and state income tax returns (Access 24, (Note 16) will file separate tax returns in Australia). As required by SFAS 109, this change in tax status was recognized by establishing deferred tax assets and liabilities for temporary differences between the tax basis and amounts reported in the accompanying consolidated balance sheet (Note 8).

EARNINGS PER SHARE

Earnings per share are computed based upon the weighted average number of common shares and common share equivalents outstanding. The shares of convertible Preferred Stock are considered common stock equivalents due to the mandatory conversion provision (Note 11). Pursuant to Securities and Exchange Commission Staff Accounting Bulletin No. 83, common stock and common stock equivalent shares issued by the Company at prices below the assumed public offering price during the twelve month period prior to the proposed offering date (using the treasury stock method) have been included in the calculation as if they were outstanding for all the periods presented regardless of whether they are antidilutive. On May 14, 1996, the Company approved a five for one share common stock split to be effective immediately prior and subject

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)  
(CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

to the closing of the offering contemplated by this Registration Statement. Common stock amounts, equivalent share amounts and per share amounts have been adjusted retroactively to give effect to the stock split.

The weighted average number of common shares and common share equivalents was calculated as follows assuming the anticipated five-for-one stock split:

			YEAR ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1995	1996
	PRO FORMA ELEVEN MONTHS ENDED DECEMBER 31, 1993 (UNAUDITED)	PRO FORMA YEAR ENDED DECEMBER 31, 1994 (UNAUDITED)		(UNAUDITED)	
Common shares outstanding.....	40,700,000	40,700,000	40,700,000	40,700,000	41,746,240
Convertible preferred stock.....	--	--	9,300,000	9,300,000	9,300,000
Common equivalent shares.....	3,385,354	3,385,354	4,657,975	4,585,654	3,635,843
Shares used in computing pro forma net income per common and common equivalent share.....	44,085,354	44,085,354	54,657,975	54,585,654	54,682,083

For comparative purposes, the earnings per share for 1993 and 1994 have been calculated on a pro-forma basis as the historical earnings per share is not meaningful due to the Company reorganization on January 1, 1995.

A portion of the proceeds from the proposed public offering will be used to repay short-term borrowings. If this reduction had taken place at January 1, 1995 or January 1, 1996, the effect on pro forma earnings would have been immaterial.

#### INCREASE IN AUTHORIZED SHARES

On May 14, 1996, the Board of Directors authorized an amendment to the Company's Certificate of Incorporation that will be effective upon the closing of the proposed public offering of the Company's Common Stock. The amendment increases the authorized shares of Common Stock to 150,000,000 shares. The amendment also authorizes the Company to issue up to 10,000,000 shares of preferred stock.

#### RESTRICTED STOCK AWARDS

In January 1996, the Company awarded 76,000 restricted shares of the Company's common stock to certain employees as compensation to be earned over the term of the employees' related employment agreements (three years). The market value of the stock at the date of award was \$380,000. This amount has been recorded as unearned compensation-restricted stock and is shown as a separate component of stockholders' equity.

#### CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the Company considers all cash and investments with an original maturity of 90 days or less to be cash equivalents.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)  
(CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING STANDARDS

In March 1995, the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS 121 requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS 121 is effective for financial statements for fiscal years beginning after December 15, 1995. The adoption of SFAS 121 on January 1, 1996 had no impact on the Company's consolidated financial position or results of operations.

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock Based Compensation." With respect to stock options granted to employees, SFAS No. 123 permits companies to continue using the accounting method promulgated by the Accounting Principles Board Opinion No. 25 ("APB No. 25"), "Accounting for Stock Issued to Employees," to measure compensation or to adopt the fair value based method prescribed by SFAS No. 123. If APB No. 25's method is continued, pro forma disclosures are required as if SFAS No. 123 accounting provisions were followed. Management has determined not to adopt SFAS No. 123's accounting recognition provisions (Note 12).

(2) CONCENTRATIONS

The Company's revenues from major customers (revenues in excess of 10% of total sales) are from entities involved in the telecommunications, technology, transportation, healthcare and financial services industries and for the periods ended December 31, 1993, 1994 and 1995 are as follows:

	ELEVEN MONTHS ENDED DECEMBER 31, 1993	YEAR ENDED DECEMBER 31, ----- 1994      1995		THREE MONTHS ENDED MARCH 31, ----- 1995      1996	
	-----	-----	-----	-----	-----
				(UNAUDITED)	
Customer A.....	23%	18%	31%	33%	22%
Customer B.....	--	5%	18%	24%	6%
Customer C.....	21%	17%	9%	13%	6%
Customer D.....	--	13%	--	--	--
Customer E.....	18%	--	--	--	--
	--	--	--	--	--
	62%	53%	58%	70%	34%
	--	--	--	--	--
	--	--	--	--	--

The loss of one or more of its significant customers could have a material adverse effect on the Company's business, operating results or financial condition.

To limit the Company's credit risk, management performs ongoing credit evaluations of its customers and maintains allowances for potentially uncollectible accounts. Although the Company is directly impacted by economic conditions in the telecommunications, technology, transportation, healthcare and financial services industries, management does not believe significant credit risk exists at December 31, 1995 or at March 31, 1996.

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)  
(CONTINUED)

(2) CONCENTRATIONS (CONTINUED)  
GEOGRAPHIC AREA INFORMATION

Prior to the acquisition of Access 24 in January 1996 (Note 16), the Company operated exclusively within the United States. Unaudited geographic area information for the three months ended March 31, 1996 is as follows:

	UNITED STATES	EUROPE	ASIA PACIFIC	TOTAL
	-----	-----	-----	-----
Revenues.....	\$ 18,680,313	\$ 476,576	\$ 2,862,456	\$ 22,019,345
Income (loss) before income taxes.....	2,054,659	(86,676)	290,861	2,258,844
Assets.....	37,317,780	1,794,743	10,341,717	49,454,240

(3) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 1994 and 1995, and March 31, 1996:

	DECEMBER 31,		
	1994	1995	MARCH 31,
	-----	-----	1996
			(UNAUDITED)
Computer equipment and software.....	\$ 5,848,105	\$ 9,807,113	\$ 11,197,300
Telephone equipment.....	1,105,246	1,219,642	1,851,831
Furniture and fixtures.....	1,507,171	2,938,478	5,307,555
Leasehold improvements.....	861,070	1,197,892	4,915,141
Vehicles.....	--	--	24,290
	-----	-----	-----
	9,321,592	15,163,125	23,296,117
Less--Accumulated depreciation.....	(3,935,136)	(6,059,424)	(6,987,766)
	-----	-----	-----
	\$ 5,386,456	\$ 9,103,701	\$ 16,308,351
	-----	-----	-----

Included in the cost of property and equipment above is equipment obtained through capitalized leases. The following is a summary of equipment under capital leases as of December 31, 1994 and 1995, and March 31, 1996:

	DECEMBER 31,		
	1994	1995	MARCH 31,
	-----	-----	1996
			(UNAUDITED)
Computer equipment and software.....	\$ 726,569	\$ 3,227,113	\$ 4,166,995
Telephone equipment.....	282,969	310,295	737,314
Furniture and fixtures.....	847,984	2,038,597	3,854,957
Vehicles.....	--	--	1,811
	-----	-----	-----
	1,857,522	5,576,005	8,761,077
Less--Accumulated depreciation.....	(556,704)	(1,291,704)	(1,073,018)
	-----	-----	-----
	\$ 1,300,818	\$ 4,284,301	\$ 7,688,059
	-----	-----	-----

Depreciation expense related to leased equipment under capital leases was \$109,556, \$409,518, \$984,597, \$77,947 (unaudited) and \$312,265 (unaudited) for the eleven months ended December 31, 1993, the years ended December 31, 1994 and 1995, and the three-month periods ended March 31, 1995 and 1996, respectively.

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)  
(CONTINUED)

(4) CAPITAL LEASE OBLIGATIONS

On July 11, 1995, the Company negotiated a master lease agreement with a bank under which it may lease equipment up to a value of \$8,000,000. As of May 13, 1996, the master lease has been amended to increase the lease line to \$15,000,000. The term of the leases are 48 months and interest is payable at the then most recent weekly average of three-year Treasury notes plus 125 basis points. In August 1995, the Company entered into another master lease agreement with a bank under which it may lease equipment. Under the agreement, individual lease terms are negotiated on a lease by lease basis. Subsequent to December 31, 1995, the Company entered into several leases under this agreement which are being accounted for as operating leases (See Note 9).

The Company finances a substantial portion of its property and equipment under noncancelable capital lease obligations. Accordingly, the fair value of the equipment has been capitalized and the related obligation recorded. The average implicit interest rate on these leases was 8.9% at December 31, 1995. Interest is charged to expense at a level rate applied to declining principal over the period of the obligation.

The future minimum lease payments under capitalized lease obligations as of December 31, 1995 and March 31, 1996 are as follows:

	DECEMBER 31, 1995 -----	MARCH 31, 1996 ----- (UNAUDITED)
Year ending December 31--		
1996.....	\$ 1,658,828	\$ 2,159,825
1997.....	1,594,470	2,608,577
1998.....	1,246,793	2,116,303
1999.....	570,519	1,217,108
2000.....	54,875	211,443
	-----	-----
	5,125,485	8,313,256
Less--Amount representing interest.....	(676,522)	(775,509)
	-----	-----
	4,448,963	7,537,747
Less--Current portion of capital lease obligations.....	(1,255,966)	(2,129,440)
	-----	-----
	\$ 3,192,997	\$ 5,408,307
	-----	-----

Interest expense on the outstanding obligations under such leases was \$39,981, \$160,483, \$312,653, \$73,350 (unaudited) and \$135,524 (unaudited) for the eleven months ended December 31, 1993, the years ended December 31, 1994 and 1995, and the three-month periods ended March 31, 1995 and 1996, respectively.

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)  
(CONTINUED)

(5) LONG-TERM DEBT

As of December 31, 1994 and 1995 and March 31, 1996, long-term debt consisted of the following (unsecured unless otherwise stated):

	DECEMBER 31,		
	1994	1995	MARCH 31,
			1996
			(UNAUDITED)
Note payable, interest at 8% per annum, principal and interest payable monthly at \$3,594, maturing May 2000.....	\$ 189,177	\$ 160,131	\$ 152,500
Note payable, collateralized by all of the assets of TTS, interest payable monthly at 6% per annum, principal due July 1995.....	350,000	--	--
Note payable, interest at 6% per annum, principal and interest payable monthly at \$4,563, maturing January 1997.....	106,989	57,297	44,403
Note payable, interest at 13% per annum, principal and interest payable monthly at \$9,266, maturing April 1995.....	95,599	--	--
Note payable, interest at 6% per annum, principal and interest payable monthly at \$3,598, maturing June 1997.....	100,000	61,786	51,869
Note payable, interest at 5% per annum, principal and interest payable monthly at \$7,077, maturing January 2000.....	375,000	313,064	295,675
Note payable to a bank, interest at 8-9% per annum, principal payable annually at \$154,568 maturing September 2000, secured by an equitable mortgage over all assets and uncalled capital of Access 24.....	--	--	772,842
	1,216,765	592,278	1,317,289
	(624,483)	(195,660)	(189,443)
Less--Current portion.....	\$ 592,282	\$ 396,618	\$ 1,127,846

Annual maturities of the long-term debt described above are as follows:

	DECEMBER 31,	
	1995	MARCH 31,
		1996
		(UNAUDITED)
Year ended December 31--		
1996.....	\$ 195,660	\$ 147,831
1997.....	134,324	288,892
1998.....	115,210	269,778
1999.....	122,278	276,846
2000.....	24,806	179,372
Thereafter.....	--	154,570
	\$ 592,278	\$ 1,317,289

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)  
(CONTINUED)

(6) SHORT-TERM BORROWINGS

On June 23, 1994, TTC entered into a revolving line of credit agreement (the "Credit Agreement") with a bank under which it could borrow up to \$3,000,000 through June 30, 1995. Initial borrowings under this line of credit were used to retire TTC's previous line of credit. Interest is payable monthly at the bank's prime rate plus 1.75% (10.25% at December 31, 1994).

On April 12, 1995, the Company negotiated a new unsecured revolving line of credit agreement with the bank under which it may borrow up to \$5,000,000. Interest is payable at various interest rates. The borrowings can be made at (1) the bank's prime rate, (2) a CD rate plus 125 basis points for periods of 7 to 90 days with minimum advances of \$500,000 with \$100,000 increments, (3) LIBO rate plus 125 basis points for borrowing periods of 1, 2, 3 or 6 months, or (4) agreed upon rates. At December 31, 1995 and March 31, 1996, the amount outstanding under this facility was \$1,000,000 and \$3,500,000, respectively, and is classified as short-term.

In April 1996, the Company was granted an increased line of credit of \$15,000,000 through May 1998. The terms of this line of credit remained unchanged from the previous \$5,000,000 line of credit.

The Company is required to comply with certain minimum financial ratios under covenants in connection with the borrowings described above.

(7) SUBORDINATED NOTES PAYABLE TO COMMON STOCKHOLDER

At December 31, 1994, subordinated notes payable to the Stockholder with interest at 8% per annum amounted to \$1,104,337, of which \$145,299 was due within one year.

These notes payable were subordinated to the long-term debt (Note 5) and the short-term borrowings (Note 6) as specified in the credit agreements. Interest incurred on indebtedness to the stockholder amounted to approximately \$91,000, \$96,000, \$11,000, \$11,000 (unaudited) and \$0 (unaudited) for the eleven months ended December 31, 1993, the years ended December 31, 1994 and 1995, and the three months ended March 31, 1995 and 1996, respectively.

In February 1995, in conjunction with the Company's reorganization and stock sale (Note 1), the Company paid in full these subordinated notes payable.

(8) INCOME TAXES

As stated in Note 1, TTC and TTS terminated their S corporation status effective January 1, 1995. This change in tax status was recognized by establishing net deferred tax liabilities of approximately \$212,000 on that date for temporary differences between tax basis and amounts reported in the accompanying combined balance sheets of TTC and TTS. The current provision for income taxes for 1994 and for the 11 months ended December 31, 1993, reflects only amounts payable to certain state tax jurisdictions that do not recognize S corporation status. Beginning in 1995, THI and its domestic subsidiaries will file consolidated corporate federal and state income tax returns. Access 24 (Note 17) will file separate tax returns in the various countries in which it provides services.

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)  
(CONTINUED)

(8) INCOME TAXES (CONTINUED)

The components of income before income taxes are as follows:

		YEAR ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
		1994	1995	1995	1996
	ELEVEN MONTHS ENDED DECEMBER 31, 1993 (UNAUDITED)			(UNAUDITED)	
Domestic.....	\$ 537,676	\$ 1,714,710	\$ 7,085,080	\$ 2,952,288	\$ 2,054,659
Foreign.....	--	--	--	--	204,185
Total.....	\$ 537,676	\$ 1,714,710	\$ 7,085,080	\$ 2,952,288	\$ 2,258,844

The components of the provision for income taxes are as follows:

	YEAR ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1995 1996	
		(UNAUDITED)	
Current provision:			
Federal.....	\$2,472,925	\$ 952,940	\$ 942,658
State.....	433,813	159,023	145,691
Foreign.....	--	--	73,506
	2,906,738	1,111,963	1,161,855
Deferred provision:			
Federal.....	(153,610)	--	(132,761)
State.....	(36,632)	--	(27,792)
	(190,242)	--	(160,553)
Change in tax status from S corporation to C corporation.....	212,500	212,500	--
	\$2,928,996	\$ 1,324,463	\$ 1,001,302

The following reconciles the Company's effective tax rate to the federal statutory rate for the year ended December 31, 1995 and for the three months ended March 31, 1995 and 1996:

	YEAR ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1995 1996	
		(UNAUDITED)	
Income tax expense per federal statutory rate.....	\$2,408,927	\$ 1,003,778	\$ 768,007
State income taxes, net of federal deduction.....	262,139	98,687	111,813
Effect of change in tax status from S corporation to C corporation.....	212,500	212,500	--
Permanent differences.....	37,210	9,498	114,482
Environmental tax.....	8,220	--	--
Foreign income taxed at higher rate.....	--	--	7,000
	\$2,928,996	\$ 1,324,463	\$ 1,001,302



TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)  
(CONTINUED)

(8) INCOME TAXES (CONTINUED)

The Company's deferred income tax assets and liabilities are summarized as follows:

	YEAR ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1996 (UNAUDITED)
	-----	-----
Deferred tax assets:		
Allowance for doubtful accounts.....	\$ 178,068	\$ 292,496
Vacation accrual.....	307,674	345,224
	-----	-----
	485,742	637,720
Deferred tax liabilities:		
Excess depreciation for tax.....	(507,365)	(498,790)
	-----	-----
Net deferred income tax (liability) asset.....	\$ (21,623)	\$ 138,930
	-----	-----

A valuation allowance has not been recorded as the Company expects that all deferred tax assets will be realized in the future.

The combined statement of income for 1993 and 1994 presents, on an unaudited pro forma basis, net income as if the Company had filed consolidated C corporation federal and state income tax returns for that year. The pro forma tax effects assume that the deferred tax assets established effective January 1, 1995, as described above, would have been provided for as the related temporary differences arose. The pro forma provision for income taxes for 1993 and 1994 is reconciled to the amount computed by applying the statutory federal tax rate to income before taxes as follows:

	1993 (PRO FORMA)	1994 (PRO FORMA)
	-----	-----
	AMOUNT	AMOUNT
	-----	-----
Income tax expense per federal statutory rate.....	\$ 182,810	\$ 583,001
State income taxes, net of federal deduction.....	23,410	81,491
Permanent differences.....	32,776	13,110
	-----	-----
Total pro forma provision for income taxes.....	238,996	677,602
Historical provision (benefit) for income taxes.....	(10,000)	19,736
	-----	-----
Pro forma tax effects.....	\$ 248,996	\$ 657,866
	-----	-----

(9) COMMITMENTS AND CONTINGENCIES

The Company leases its premises in Sherman Oaks and Burbank, California and Denver, Colorado pursuant to agreements expiring through 2003. The monthly rents are subject to certain operating expenses and real estate taxes.

The Company has various operating leases for equipment and office space. Lease expense under operating leases was approximately \$626,000, \$1,366,000, \$442,000, \$88,000 (unaudited) and \$118,000 (unaudited), for the eleven months ended December 31, 1993, the years ended December 31, 1994 and 1995, and the three months ended March 31, 1995 and 1996, respectively.

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)  
(CONTINUED)

(9) COMMITMENTS AND CONTINGENCIES (CONTINUED)

The future minimum rental payments required under noncancelable operating leases as of December 31, 1995, and March 31, 1996, are as follows:

	DECEMBER 31, 1995	MARCH 31, 1996
	-----	-----
		(UNAUDITED)
Year ended December 31--		
1996.....	\$ 2,611,341	\$ 1,494,490
1997.....	2,202,442	1,982,791
1998.....	1,877,301	1,946,135
1999.....	1,773,350	1,645,375
2000.....	768,452	347,356
Thereafter.....	1,974,493	302,900
	-----	-----
	\$ 11,207,379	\$ 7,719,047
	-----	-----

(10) EMPLOYEE BENEFIT PLAN

The Company has a 401(k) Profit Sharing Plan which covers all employees who have completed one year of service, as defined, and are 21 or older. Participants may defer up to 19% of their gross pay up to a maximum limit determined by law. Participants are always 100% vested in their contributions.

The Company may make discretionary contributions to the plan which are distributed to participants in accordance with the plan. Participants are vested in these contributions at a rate of 20% per year. For the eleven months ended December 31, 1993 and the years ended December 31, 1994 and 1995, the Company's contributions to the plan were \$40,000, \$64,000 and \$131,000, respectively. There were no contributions made during the periods ended March 31, 1995 and 1996.

(11) MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK

In January, 1995, the Company issued 1,860,000 shares of convertible preferred stock, \$6.45 par value, at \$6.45 per share for gross proceeds of \$12,000,000. The Company used the funds for the repayment of certain notes as well as for working capital requirements.

Preferred Stock is initially convertible at the option of the preferred stockholders, into 9,300,000 shares of common stock. This number of shares of common stock is subject to adjustment in the event of certain issuances of common stock, excluding up to 7,000,000 shares of common stock that may be issued upon exercise of stock options, to ensure that preferred stockholders maintain ownership of 16.9% of the common stock on a fully diluted basis (as adjusted pursuant to the Company's Certificate of Incorporation).

In the event that preferred stockholders do not exercise their conversion rights set out above, the preferred stock converts to common stock at the rate set out above, at the earlier of the consummation of a qualified initial offering of shares to the public (as defined in the Company's Certificate of Incorporation) or May 18, 2002.

In the event that the holders of Preferred Stock have not exercised their conversion rights prior to May 18, 2002, they are entitled to either convert their Preferred Stock to shares of common stock or redeem their shares for cash. Such conversion is to provide an internal rate of return to the Preferred Stockholders of 7% per annum. Accordingly, dividends are accrued cumulatively at the rate of 0.5833% per month.

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)  
(CONTINUED)

(12) STOCK OPTION PLANS

The Company adopted a stock option plan during 1995 and amended and restated the plan in January 1996, for directors, officers, employees, consultants and independent contractors. The plan reserves 7,000,000 shares of common stock and permits the award of incentive stock options ("ISOs"), other non-qualified options ("NSOs"), stock appreciation rights ("SARs") and restricted stock. Under the terms of this plan, the purchase price of shares subject to each ISO granted must not be less than the fair market value on the date of grant. The compensation committee of the Board of Directors has complete discretion as to exercise prices of all other awards, including NSOs. Outstanding options vest over a three or five-year period and are exercisable for ten years from the date of grant.

In January, 1996, the Company adopted a stock option plan for non-employee directors (the "Director Plan"), covering 750,000 shares of common stock. All options are to be granted at fair market value at the date of grant. Options vest as of the date of the option and are not exercisable until six months after the option date. Options granted are exercisable for ten years from the date of grant unless a participant is terminated for cause or one year after a participant's death. Options to purchase 225,000 shares were outstanding at March 31, 1996.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 123 ("SFAS 123")

During 1995, the Financial Accounting Standards Board issued SFAS 123, "Accounting for Stock Based Compensation," which defines a fair value based method of accounting for an employee stock option or similar equity instrument and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans. However, it also allows an entity to continue to measure compensation cost for those plans using the method of accounting prescribed by the Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees." Entities electing to remain with the accounting in APB 25 must make pro forma disclosures of net income and earnings per share, as if the fair value based method of accounting defined in this Statement has been applied.

The Company has elected to account for its stock-based compensation plans under APB 25; however, the Company has computed for pro-forma disclosure purposes the value of all options granted during 1995 and in the quarter ended March 31, 1996, using the Black-Scholes option pricing model as prescribed by SFAS 123 and the following weighted average assumptions used for grants:

Risk-free interest rate.....	6.34%
Expected dividend yield.....	0%
Expected lives.....	4.48 years
Expected volatility.....	59%

Options were assumed to be exercised upon vesting for the purpose of this valuation. Adjustments are made for options forfeited prior to vesting. The total value of options granted was computed to be the following approximate amounts, which would be amortized on a straight line basis over the vesting period of the options:

Year ended December 31, 1995.....	\$ 340,727
Three months ended March 31, 1996 (unaudited).....	\$ 335,010

If the Company had accounted for these plans in accordance with SFAS 123, the Company's net income and pro forma net income per share would have been reported as follows:

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)  
(CONTINUED)

(12) STOCK OPTION PLANS (CONTINUED)  
NET INCOME

	YEAR ENDED DECEMBER 31, 1995 -----	THREE MONTHS ENDED MARCH 31, 1996 ----- (UNAUDITED)
As Reported.....	\$4,156,084	\$ 1,257,542
Pro Forma.....	3,815,357	922,532

PRO FORMA NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE

	YEAR ENDED DECEMBER 31, 1995 -----	THREE MONTHS ENDED MARCH 31, 1996 ----- (UNAUDITED)
As Reported.....	\$ 0.08	\$ 0.02
Pro Forma.....	\$ 0.07	\$ 0.02

A summary of the status of the Company's two stock option plans at March 31, 1996 and December 31, 1995 together with changes during the periods then ended are presented in the following table:

	YEAR ENDED DECEMBER 31, 1995 -----	THREE MONTHS ENDED MARCH 31, 1996 -----		
	SHARES	WEIGHTED AVERAGE PRICE PER SHARE	SHARES	WEIGHTED AVERAGE PRICE PER SHARE
Outstanding at beginning of period.....	--		2,355,000	\$ 1.88
Grants during period.....	2,355,000	\$ 1.88	793,750	\$ 5.13
Outstanding at end of period.....	2,355,000	\$ 1.88	3,148,750	\$ 2.70

The following table sets forth the exercise price range, number of shares, weighted average exercise price and remaining contractual lives by groups of similar price and grant date:

EXERCISE PRICE RANGE	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE	WEIGHTED AVERAGE CONTRACTUAL LIFE
\$ 1.29 - \$1.30	1,400,000	\$ 1.29	10
\$ 2	455,000	\$ 2.00	10
\$ 3 - \$5	1,243,750	\$ 4.36	10
\$ 7	50,000	\$ 7.00	10

Subsequent to March 31, 1996, THI granted an additional 1,819,750 options at a weighted average price of \$8.15.

(13) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values of cash equivalents and other current amounts receivable and payable approximate the carrying amounts due to their short-term nature. Short-term investments consist of overnight deposits in mutual funds. These funds hold short-term investments which include primarily U.S. Government Treasury

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)  
(CONTINUED)

(13) FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Bills, bankers' acceptance notes, commercial paper and Master notes with maturities of 90 days or less. Interest accrues daily on these funds, and accordingly, the carrying values of these investments approximate their fair values.

Debt carried on the Company's consolidated balance sheet of \$592,278 and \$1,317,289 at December 31, 1995 and March 31, 1996, has an estimated fair value of \$626,478 and \$1,173,339, respectively. The fair value of the long-term portion of the Company's debt is based on discounting future cash flows using current interest rates adjusted for risk. The fair value of the short-term debt approximates its recorded value due to its short-term nature.

(14) OTHER INCOME

Other income (expense) for the year ended December 31, 1995 and for the three months ended March 31, 1995 includes \$2,400,000 received in settlement of a premature termination of a contract.

(15) RELATED PARTY TRANSACTIONS

During fiscal 1995, the Company provided reservations call handling services to Midway Airlines Corporation ("Midway"), a majority-owned subsidiary of Zell/Chilmark Fund, L.P. Samuel Zell, a director of the Company, is an affiliate of Zell/Chilmark Fund, L.P. During the twelve months ended December 31, 1995 and the three months ended March 31, 1996, the Company charged Midway an aggregate of \$1,291,862 and \$600,904, respectively, for services rendered by the Company. As of December 31, 1995 and March 31, 1996, the amounts due from Midway for services rendered by the Company was \$535,845 and \$570,274 (unaudited), respectively, of which \$354,526 and \$462,958 (unaudited), respectively, was past due.

In April 1996, the Company agreed to accept from Midway, and Midway delivered to the Company, a promissory note in the principal amount of \$500,000 to evidence a portion of the total amount due. The note bears interest at a rate of 8% per annum and is payable in 12 equal installments of principal, together with interest, commencing May 1, 1996. The Company is continuing to provide call handling services to Midway.

The Company utilizes the services of The Riverside Agency, Inc. for reviewing, obtaining and/or renewing various insurance policies. The Riverside Agency, Inc. is a wholly owned subsidiary of Equity Group Investments, Inc., of which Samuel Zell, a director of the Company, is Chairman of the Board. During the twelve months ended December 31, 1995 and the three months ended March 31, 1996, the Company incurred \$23,965 and \$47,930, respectively, for such services.

(16) ACQUISITIONS

On January 1, 1996, the Company acquired 100% of the common stock of Access 24 Services Corporation Pty Limited (with its subsidiaries, "Access 24"), for consideration of \$7.1 million, consisting of cash of \$2.27 million and 970,240 shares of common stock in the Company. Access 24 provides inbound, toll free customer service, primarily to the healthcare and financial services sector in Australia, the United Kingdom and New Zealand.

This acquisition has been accounted for using the purchase method. Goodwill of \$6.3 million arising on the acquisition is being amortized over 15 years on a straight line basis.

TELETECH HOLDINGS, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1995  
AND FOR THE ELEVEN MONTHS ENDED DECEMBER 31, 1993  
AND FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND 1996 (UNAUDITED)  
(CONTINUED)

(16) ACQUISITIONS (CONTINUED)

The following unaudited pro forma consolidated income statement gives effect to the consummation of the acquisition as if it had occurred on January 1, 1995:

CONSOLIDATED CONDENSED STATEMENTS OF INCOME  
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1995		
	THI	ACCESS 24	PRO FORMA
	(UNAUDITED)		
Revenue.....	\$ 50,467	\$ 10,239	\$ 60,706
Net income (loss).....	\$ 4,156	\$ (166)	\$ 3,990
Pro forma net income per common and common equivalent share.....	\$ 0.08		\$ 0.07
Shares used in computing pro forma net income per common and common equivalent share.....	54,658		54,658

Pro forma net loss for Access 24 for the year ended December 31, 1995 reflects a charge of \$422,000 for amortization of goodwill arising on acquisition.

(17) SUBSEQUENT EVENTS (UNAUDITED)

SALE OF STOCK

As of April 30, 1996, the Company sold 50% of the common stock of Access 24, Limited (the Company's United Kingdom subsidiary that operates a call center in London, England) to PPP Healthcare Group plc ("PPP") for cash consideration of \$3.8 million. This transaction resulted in an after-tax gain of approximately \$1.6 million.

In addition, Access 24, Limited also issued 1,000,000 Cumulative 7% Preference Shares at a par value of 1 pound each, redeemable in 2006, to PPP for consideration of \$1.5 million.

Access 24, Limited did not contribute significantly to the results of operations of the Company for any of the periods presented herein.

BONUS PLAN

In May, 1996, the Company adopted the 1996 Management Bonus Plan ("Bonus Plan") to provide a performance-based incentive for the Company's executive officers and key employees. The compensation committee of the Board of Directors administers the Bonus Plan and determines which employees are eligible for anticipation. Bonuses are based on the Company's results of operations.

TRANSACTION FEES

In May 1996, the Board of Directors approved the payment of fees to the Equity Group Investments, Inc., an affiliate of Samuel Zell, a director of the Company, for advice and assistance in consummating the following transactions:

i)	Access 24 purchase (Note 16).....	\$ 300,000
ii)	The Company's proposed initial public offering of stock....	500,000
iii)	Sale of Access 24, Limited stock to PPP.....	200,000
		-----
		\$1,000,000
		-----
		-----

Fees associated with the Access 24 purchase will be allocated to the purchase price. Fees associated with the proposed public offering of common stock will be netted against the offering proceeds. Fees associated with the sale of stock to PPP will be netted of against the gain arising on this sale.

ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
CONSOLIDATED BALANCE SHEETS

	NOTE	DECEMBER 31, 1995	FEBRUARY 29, 1995
	-----	-----	-----
		A\$ (NOTE 22)	A\$
CURRENT ASSETS			
Cash.....	5	816,220	1,837,982
Receivables.....	6	1,976,041	1,340,978
Other.....	7	401,173	165,432
		-----	-----
TOTAL CURRENT ASSETS.....		3,193,434	3,344,392
		-----	-----
NON-CURRENT ASSETS			
Property, plant and equipment.....	8	4,217,281	2,170,050
Intangibles.....	9	1,964,360	2,163,362
Other.....	10	466,726	366,517
		-----	-----
TOTAL NON-CURRENT ASSETS.....		6,648,367	4,699,929
		-----	-----
TOTAL ASSETS.....		9,841,801	8,044,321
		-----	-----
CURRENT LIABILITIES			
Creditors and borrowings.....	11	3,042,545	2,230,026
Provisions.....	12	802,176	1,586,870
		-----	-----
TOTAL CURRENT LIABILITIES.....		3,844,721	3,816,896
		-----	-----
NON-CURRENT LIABILITIES			
Creditors and borrowings.....	13	2,521,226	791,276
Provisions.....	14	169,943	97,216
		-----	-----
TOTAL NON-CURRENT LIABILITIES.....		2,691,169	888,492
		-----	-----
TOTAL LIABILITIES.....		6,535,890	4,705,388
		-----	-----
NET ASSETS.....		3,305,911	3,338,933
		-----	-----
SHAREHOLDERS' EQUITY			
Share capital.....	15	212	212
Reserves.....	16	3,017,136	3,007,188
Retained profits.....		288,563	331,533
		-----	-----
TOTAL SHAREHOLDERS' EQUITY.....		3,305,911	3,338,933
		-----	-----

The accompanying notes form an integral part of this balance sheet.

ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
CONSOLIDATED PROFIT AND LOSS ACCOUNTS

		TEN MONTHS ENDED DECEMBER 31, 1995	YEAR ENDED FEBRUARY 28, 1995
	NOTE -----	A\$ (NOTE 22)	A\$
Operating revenue.....	2	12,208,051	12,726,187
Operating profit.....	2	463,916	1,611,910
Income tax attributable to operating profit.....	3	492,351	612,820
Operating profit/(loss) after income tax.....		(28,435)	999,090
Retained profits at the beginning of the period.....		331,533	118,101
Adjustment to retained profits at the beginning of the period re AASB 1028: Accounting for Employee Entitlements.....	1	(14,535)	--
Adjusted retained profits at the beginning of the financial period.....		316,998	--
Total available for appropriation.....		288,563	1,117,191
Dividends provided for.....		--	785,658
Retained profits at the end of the financial period.....		288,563	331,533

The accompanying notes form an integral part of this profit and loss account.



ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	TEN MONTHS ENDED DECEMBER 31, 1995	YEAR ENDED FEBRUARY 28, 1995
		A\$ (NOTE 22)	A\$
Cash flows from operating activities			
Receipts from customers.....		11,936,094	12,451,360
Payments to suppliers and employees.....		(10,749,686)	(9,938,953)
Interest paid.....		(10,972)	--
Interest received.....		82,708	87,747
Advances to related parties.....		(68,591)	--
Repayment of advances to related parties.....		--	78,855
Interest paid (leases).....		(128,958)	(70,192)
Income taxes paid.....		(578,105)	(209,093)
Net operating cash flows.....	21(b)	482,490	2,399,724
Cash flows from investing activities			
Cash paid for acquisition of property, plant and equipment.....		(1,510,622)	(684,091)
Payments for investments.....		--	--
Proceeds from sale of fixed assets.....		60,079	54,187
Acquisition of intangibles.....		--	(1,547)
Net investing cash flows.....		(1,450,543)	(631,451)
Cash flows from financing activities			
Proceeds from borrowings.....		1,000,000	-
Repayment of hire purchase and lease liabilities.....		(456,043)	(260,613)
Advances to controlled entities.....		--	--
Repayment of advances to controlled entities.....		--	--
Dividends paid.....		(785,658)	--
Net financing cash flows.....		(241,701)	(260,613)
Net increase/(decrease) in cash held.....		(1,209,754)	1,507,660
Cash at the beginning of the financial period.....		1,837,982	327,538
Exchange rate variations on foreign cash balances.....		(8,461)	2,784
Cash at the end of the financial period.....	21(a)	619,767	1,837,982

The accompanying notes form an integral part of this statement of cash flows.

ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1995  
AND THE TEN MONTHS ENDED DECEMBER 31, 1995

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:

(a) BASIS OF THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the historical cost convention using the accounting policies described below and do not take account of changes in either the general purchasing power of the dollar or in the prices of specific assets.

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they exceed their recoverable amount. The recoverable amounts of all non-current assets have been determined using net cash flows which have not been discounted to their present value.

All amounts are in Australian dollars.

(b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial statements of the parent entity, Access 24 Service Corporation Pty Limited and its controlled entities. The term "Economic Entity" used throughout these financial statements means the parent entity and its controlled entities.

Where a controlled entity has been acquired during the period, its results are included in the consolidated result from the date of acquisition. Similarly, where a controlled entity is sold, its results are included in the consolidated result until the date of disposal.

All inter-entity balances and transactions have been eliminated.

(c) OPERATING REVENUE

Sales revenue represents revenue earned (net of discounts and allowances) from the sale of services. Other revenue includes interest income on short term deposits and gross proceeds from the sale of non-current assets.

(d) PLANT AND EQUIPMENT

(i) ACQUISITION

Items of plant and equipment are recorded at cost and depreciated as outlined below.

(ii) DISPOSALS OF ASSETS

The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal, and is included in the result of the economic entity in the period of disposal.

(iii) DEPRECIATION AND AMORTIZATION

Items of plant and equipment, and leasehold property, are depreciated/amortized over their estimated useful lives ranging from 3 to 30 years. The straight line method is used except in the case of one controlled entity where the reducing balance method is used in respect of all plant and equipment.

(iv) LEASED PLANT AND EQUIPMENT

Assets of the economic entity acquired under finance leases are capitalized. The initial amount of the leased asset and corresponding lease liability are recorded at the present value of minimum lease payments. Leased assets are amortized over the life of the relevant lease or, where it is likely the economic entity will obtain ownership of the asset on expiration of the lease, the expected useful life of the asset. Lease liabilities are reduced by the principal component of lease payments. The interest component is charged against operating profit.

ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1995  
AND THE TEN MONTHS ENDED DECEMBER 31, 1995  
(CONTINUED)

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Operating leases are not capitalized and rental payments are charged against operating profit in the period in which they are incurred.

(e) INCOME TAX

The economic entity adopts the liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a deferred tax liability.

Future income tax benefits relating to tax losses are only brought to account when their realization is virtually certain.

(f) FOREIGN CURRENCY

TRANSACTIONS

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

TRANSLATION OF FINANCIAL STATEMENTS OF OVERSEAS OPERATIONS

All overseas operations are deemed self-sustaining as each is financially and operationally independent of Access 24 Service Corporation Pty Limited. The financial statements of overseas operations are translated using the current rate method and any exchange differences are taken directly to the foreign currency translation reserve.

(g) PROVISIONS

EMPLOYEE ENTITLEMENTS

Provision has been made in the financial statements for benefits accruing to employees in relation to such matters as annual leave and long service leave. Long service leave provisions are calculated based on the probability of employee's service continuity, even though in some cases such amounts are not currently vesting.

From this financial year, all on-costs, including payroll tax, workers' compensation premiums and fringe benefits tax are included in the determination of provisions for annual leave and long service leave. Provisions for annual leave and current long service leave are measured at their nominal value. Non current long service leave is measured at its present value where materially different from the nominal value. All provision where previously measure at their nominal value. This represents a change in accounting policy so as to satisfy the requirements of AASB 1028--Accounting for Employee Entitlements.

The impact of this change in policy for the economic entity is to reduce opening retained profits by \$14,535.

DOUBTFUL DEBTS

The collectibility of debts is assessed at year end and specific provision is made for any doubtful accounts.

ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1995  
AND THE TEN MONTHS ENDED DECEMBER 31, 1995  
(CONTINUED)

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

(h) SUPERANNUATION FUND

Contributions to a defined contribution superannuation fund are expensed in the year they are paid or become payable. No amount is recognized in the accounts or group accounts in respect of the net surplus or deficiency of each plan.

(i) INTANGIBLES

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity.

Goodwill is amortized by the straight line method over the period during which benefits are expected to be received. This is taken as being 10 years.

(j) COMPARATIVE BALANCES

Certain prior year comparatives have been amended to accord with current year disclosure.

NOTE 2. REVENUE AND EXPENSES:

	TEN MONTHS ENDED DECEMBER 31, 1995	YEAR ENDED FEBRUARY 28, 1995
	-----	-----
Operating profit/(loss) for the period has been arrived at after including:		
Operating Revenue:		
Fees received.....	\$ 11,783,312	\$ 12,316,889
Interest from:		
--other persons.....	84,986	87,747
Other revenue.....	339,753	321,551
	-----	-----
Total operating revenue.....	12,208,051	12,726,187
	-----	-----
EXPENSES:		
Abnormal item:		
Write off of non recoverable loan.....	188,952	--
	-----	-----
Other expenses:		
Provision for doubtful debts.....	(42,135)	35,255
Provision for annual leave.....	408,906	389,223
Provision for long service leave.....	16,203	25,230
Rental expense on operating leases.....	466,083	216,506
Depreciation of plant and equipment.....	547,589	346,420
Interest paid		
--Other persons.....	19,203	--
--Finance leases and hire purchases.....	130,408	70,192
Amortization of goodwill.....	210,048	237,668
Amortization of finance lease assets.....	196,086	203,335
Foreign exchange (gains)/losses.....	9,128	(36,841)
(Gain)/loss on disposal of fixed assets (a).....	(28,929)	71,733
	-----	-----
(a) Proceeds on the disposal of fixed assets were:.....	60,079	54,187
	-----	-----

ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1995  
AND THE TEN MONTHS ENDED DECEMBER 31, 1995  
(CONTINUED)

NOTE 3. INCOME TAX:

(a) The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows.

	TEN MONTHS ENDED DECEMBER 31, 1995	YEAR ENDED FEBRUARY 28, 1995
	-----	-----
Operating profit.....	\$ 463,916	\$ 1,611,910
	-----	-----
Prima facie tax expense thereon at 36% (February 28, 1995: 33%).....	167,010	531,930
Increase/ (decrease) in prima facie tax expense arising from:		
Amortization of goodwill.....	57,830	78,430
Entertaining.....	3,833	2,724
Fringe benefit tax.....	--	2,141
Write-off of non-recoverable loan.....	68,023	--
Other non-deductible items.....	21,585	(3,667)
Effects of lower rates of tax on overseas income.....	(5,537)	--
Prior year adjustment.....	10,708	1,262
Tax losses not brought to account.....	168,899	--
	-----	-----
Total income tax attributable to operating profit.....	492,351	612,820
	-----	-----
Total income tax expense comprises movements in:		
Provision for income tax.....	445,758	656,627
Provision for deferred income tax.....	52,246	47,045
Future income tax benefit.....	(5,653)	(90,852)
	-----	-----
	\$ 492,351	\$ 612,820
	-----	-----

(b) As at 31 December 1995, there are companies within the economic entity which have income tax losses available to offset against future years' taxable income. The benefit of these losses has not been brought to account as realization is not virtually certain.

ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1995  
AND THE TEN MONTHS ENDED DECEMBER 31, 1995  
(CONTINUED)

NOTE 4. PARENT ENTITY INVESTMENT IN CONTROLLED ENTITIES AND CONTRIBUTION TO CONSOLIDATED RESULT:

(a) Particulars in relation to controlled entities

	% OF SHARES HELD		BOOK VALUE OF INVESTMENT		CONTRIBUTION TO CONSOLIDATED PROFIT/(LOSS)	
	DECEMBER 31 1995	FEBRUARY 28, 1995	DECEMBER 31 1995	FEBRUARY 28, 1995	DECEMBER 31 1995	FEBRUARY 28, 1995
	(NOTE 22)		(NOTE 22)		(NOTE 22)	
Access 24 Service Corporation Pty Limited....	--	--	\$ --	\$ --	\$ 343,285	\$ 852,890
Access 24 (Service Corporation) Limited (incorporated in New Zealand).....	100%	100%	83	83	99,021	146,200
Controlled entities acquired during the period:						
Support 24 Pty Limited (incorporated in Australia) (iii)(vi)....	--	--	--	--	--	--
Access 24 Limited (incorporated in the United Kingdom) (iii)(iv).....	100%	--	4	--	(440,535)	--
High Performance Healthcare Pty Limited (incorporated in Australia) (v).....	100%	--	99	--	(30,206)	--
			\$ 186	\$ 83	\$ (28,435)	\$ 999,090

- (i) All entities operate solely in their place of incorporation.
- (ii) The financial year ends of each controlled entity are the same as that of the parent entity.
- (iii) This company is not audited by the parent entity auditor or their affiliates.
- (iv) The parent entity acquired this company for cash consideration of \$4. The company did not trade prior to the acquisition by the parent entity.
- (v) The parent entity acquired this company for cash consideration of \$99. The company did not trade prior to the acquisition by the parent entity.
- (vi) A 51% shareholding in this company was acquired for nil consideration on July 1, 1995 and was sold for \$1 consideration on December 22, 1995. At the date of acquisition, the net deficiency of Support 24 was \$145,983 made up of the following assets and liabilities by major class: Cash balances \$2,089, Receivables \$10,522, Fixed Assets \$10,875 and Creditors & Borrowings \$(169,469). At the date of disposal, the net assets of Support 24 were \$892 and were made up of: Receivables \$59,967 and Creditors & Borrowings \$(59,075). A loss of \$42,078 had been generated from trading activities during the period the company was a controlled entity and Access 24 Service Corporation Pty Limited forgave a loan of \$188,952 resulting in an operating profit of \$146,874 for the same period.

ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1995  
AND THE TEN MONTHS ENDED DECEMBER 31, 1995  
(CONTINUED)

NOTE 4. PARENT ENTITY INVESTMENT IN CONTROLLED ENTITIES AND CONTRIBUTION TO  
CONSOLIDATED RESULT: (CONTINUED)  
(b) Segment information

	TEN MONTHS ENDED DECEMBER 31, 1995				
	EXTERNAL REVENUE	INTERGROUP REVENUE	TOTAL REVENUE	SEGMENT RESULT	SEGMENT ASSETS
Australia.....	\$10,085,045	\$ 251,754	\$10,336,799	\$ 313,079	\$8,080,913
New Zealand.....	1,645,502	--	1,645,502	99,021	1,203,597
United Kingdom.....	477,504	--	477,504	(438,957)	2,170,657
Eliminations.....	--	(251,754)	(251,754)	(1,578)	(1,613,366)
Consolidated.....	\$12,208,051	\$ --	\$12,208,051	\$ (28,435)	\$9,841,801

	YEAR ENDED FEBRUARY 28, 1995				
	EXTERNAL REVENUE	INTERGROUP REVENUE	TOTAL REVENUE	SEGMENT RESULT	SEGMENT ASSETS
Australia.....	\$11,228,111	\$ 169,891	\$11,398,002	\$ 852,890	\$7,440,308
New Zealand.....	1,498,076	--	1,498,076	146,200	1,137,691
Eliminations.....	--	(169,891)	(169,891)	--	(533,678)
Consolidated.....	\$12,726,187	\$ --	\$12,726,187	\$ 999,090	\$8,044,321

The group derives income by providing emergency medical and trade assistance.

(c) Ultimate Parent Entity

The ultimate parent entity of Access 24 Service Corporation Pty Limited is the Royal Automobile Club of Victoria (RACV) Limited, a company incorporated in the state of Victoria.

NOTE 5. CASH:

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
	(NOTE 22)	
Cash at bank and in hand.....	\$ 807,875	\$ 1,797,191
Cash held in trust.....	8,345	40,791
	-----	-----
	\$ 816,220	\$ 1,837,982
	-----	-----

NOTE 6. RECEIVABLES:

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
	(NOTE 22)	
Trade debtors.....	\$1,288,033	\$ 801,326
Provision for doubtful trade debtors.....	(1,530)	(43,665)
	-----	-----
	1,286,503	757,661
Trade balances receivable from related parties.....	186,474	117,882
Amounts receivable from controlled entities.....	--	--
Accrued fees.....	499,624	462,059
Other debtors.....	3,440	3,376
	-----	-----
	\$1,976,041	\$ 1,340,978
	-----	-----





ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1995  
AND THE TEN MONTHS ENDED DECEMBER 31, 1995  
(CONTINUED)

NOTE 7. OTHER CURRENT ASSETS:

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
	(NOTE 22)	
Other assets.....	\$ 121,621	\$ 96,348
Prepayments.....	279,552	69,084
	-----	-----
	\$ 401,173	\$ 165,432
	-----	-----

NOTE 8. PLANT AND EQUIPMENT:

Plant and equipment and leasehold improvements:

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
	(NOTE 22)	
At cost (a).....	\$4,285,965	\$ 2,124,874
Less accumulated depreciation.....	(924,807)	(375,932)
	-----	-----
	\$3,361,158	\$ 1,748,942
	-----	-----
Leased plant and equipment:		
Capitalized value of leased plant and equipment.....	\$1,236,861	\$ 667,753
Less accumulated amortization.....	(380,738)	(246,645)
	-----	-----
	856,123	421,108
	-----	-----
	\$4,217,281	\$ 2,170,050
	-----	-----

(a) A charge has been registered by a finance company, over assets under hire purchase of a controlled entity, to the value of \$83,584.

NOTE 9. INTANGIBLES:

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
	(NOTE 22)	
Goodwill at cost.....	\$2,455,393	\$ 2,443,866
Accumulated amortization.....	(491,033)	(280,504)
	-----	-----
	\$1,964,360	\$ 2,163,362
	-----	-----

ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1995  
AND THE TEN MONTHS ENDED DECEMBER 31, 1995  
(CONTINUED)

NOTE 10. OTHER NON-CURRENT ASSETS:

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
	(NOTE 22)	
Investments		
--Controlled entities (Note 4(a)).....	\$ --	\$ --
Security deposits.....	110,770	82,895
Future income tax benefit.....	270,871	276,523
Amount receivable from a controlled entity.....	--	--
Other non-current assets.....	85,085	7,099
	-----	-----
	\$ 466,726	\$ 366,517
	-----	-----

NOTE 11. CREDITORS AND BORROWINGS (CURRENT):

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
	(NOTE 22)	
Bank overdraft.....	\$ 196,453	\$ --
Trade creditors.....	357,306	294,785
Sundry creditors.....	948,329	928,507
Lease and hire purchase liabilities (Note 18(a)).....	821,968	607,080
Prepaid fees and claims:		
--Trade.....	710,527	322,548
--Trust accounts.....	7,962	41,316
Amounts due to related parties.....	--	35,790
	-----	-----
	\$3,042,545	\$ 2,230,026
	-----	-----

NOTE 12. PROVISIONS (CURRENT):

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
	(NOTE 22)	
Dividend.....	\$ --	\$ 785,657
Taxation.....	423,680	567,220
Employee entitlements.....	378,496	233,993
	-----	-----
	\$ 802,176	\$ 1,586,870
	-----	-----

NOTE 13. CREDITORS AND BORROWINGS (NON-CURRENT):

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
	(NOTE 22)	
Bank Loan (a).....	\$1,000,000	\$ --
Lease and hire purchase liabilities (Note 18(a)).....	1,521,226	791,276
	-----	-----
	\$2,521,226	\$ 791,276
	-----	-----

(a) The bank loan is secured by a registered mortgage debenture over all the assets/undertakings of the parent entity and by a letter of support to the value of \$3.77m from the ultimate parent entity, the RACV.



ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1995  
AND THE TEN MONTHS ENDED DECEMBER 31, 1995  
(CONTINUED)

NOTE 14. PROVISIONS (NON-CURRENT):

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
	(NOTE 22)	
Deferred income tax.....	\$ 111,345	\$ 59,099
Employee entitlements.....	58,598	38,117
	-----	-----
	\$ 169,943	\$ 97,216
	-----	-----

NOTE 15. SHARE CAPITAL:

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
	(NOTE 22)	
Authorized capital:		
--10,000,000 ordinary shares of \$1 each.....	\$ 10,000,000	\$ 10,000,000
	-----	-----
Issued and fully paid:		
--212 ordinary shares of \$1 each.....	\$ 212	\$ 212
	-----	-----

NOTE 16. RESERVES:

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
	(NOTE 22)	
Share premium account.....	\$2,999,900	\$ 2,999,900
Foreign currency translation.....	17,236	7,288
	-----	-----
	\$3,017,136	\$ 3,007,188
	-----	-----
Foreign currency translation		
--Balance at beginning of year.....	\$ 7,288	\$ (273)
--Gain on translation of overseas controlled entities.....	9,948	7,561
	-----	-----
--Balance at end of period.....	\$ 17,236	\$ 7,288
	-----	-----

NOTE 17. REMUNERATION OF AUDITORS:

Amounts received or due and receivable by the auditors of the company for:

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
	(NOTE 22)	
- --Audit services.....	\$ 43,363	\$ 20,418
- --Other services.....	--	20,250
	-----	-----
	\$ 43,363	\$ 40,668
	-----	-----

ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1995  
AND THE TEN MONTHS ENDED DECEMBER 31, 1995  
(CONTINUED)

NOTE 18. COMMITMENTS:

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
	(NOTE 22)	
(a) Finance lease and hire purchase expenditure contracted for is payable as follows:		
Not later than one year.....	\$ 852,954	\$ 623,191
Later than one year and not later than two years.....	727,574	423,010
Later than two years and not later than five years.....	771,673	463,396
	-----	-----
	2,352,201	1,509,597
Deduct future finance charges (i).....	(9,007)	(111,241)
	-----	-----
Net lease and hire purchase liability.....	\$2,343,194	\$ 1,398,356
	-----	-----
Reconciled to:		
Current liability (Note 11).....	\$ 821,968	\$ 607,080
Non-current liability (Note 13).....	1,521,226	791,276
	-----	-----
	\$2,343,194	\$ 1,398,356
	-----	-----

(i) In the current period, assets under hire purchase have been recorded on a gross basis, resulting in the recognition of a liability and equivalent asset equal to the amount of future interest payable. The finance charges disclosed for the current year relate solely to finance leases while the prior year comparatives include interest on assets under hire purchase.

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
	(NOTE 22)	
b) Operating leases expenditure contracted for is payable as follows:		
Not later than one year.....	\$ 302,129	\$ 238,429
Later than one year and not later than two years.....	320,008	243,739
Later than two year and not later than five years.....	361,031	517,833
	-----	-----
	\$ 983,168	\$ 1,000,001
	-----	-----

The above operating lease commitments include amounts for rental operating leases which are gross of amounts received for subleases of various premises.

ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1995  
AND THE TEN MONTHS ENDED DECEMBER 31, 1995  
(CONTINUED)

NOTE 19. REMUNERATION OF DIRECTORS:

The number of directors of the parent entity who received, or were due to receive, remuneration (including brokerage, commissions, bonuses, retirement payments and salaries, but excluding prescribed benefits) directly or indirectly from the company or any related body corporate, as shown in the following bands were:

	PARENT ENTITY	
	DECEMBER 31, 1995	FEBRUARY 28, 1995
\$ 0 - \$ 9,999.....	--	2
\$ 20,000 - \$ 29,999.....	1	--
\$ 50,000 - \$ 59,999.....	1	--
\$110,000 - \$119,999.....	1	--
\$210,000 - \$219,999.....	2	--
\$250,000 - \$259,999.....	--	2
\$260,000 - \$269,999.....	--	1
\$270,000 - \$279,999.....	1	--

The aggregate remuneration of the directors referred to in the above bands was:	\$ 904,589	\$ 776,821
	-----	-----

The total of all remuneration received, or due and receivable, directly or indirectly, from the respective corporations of which they are a director, or any related body corporate, by all the directors of each corporation in the economic entity of December 31, 1995 and February 28, 1995 \$904,589 and \$839,301, respectively.

Amounts paid to or on behalf of directors of the company in respect of retirement benefits and superannuation contributions were:	\$ 53,071	\$ 67,043
	-----	-----

NOTE 20. RELATED PARTY DISCLOSURES:

(a) The directors of Access 24 Service Corporation Pty Limited during the financial period were:

Dr. John Eric Kendall  
Mr. Louis Thomas Carroll  
Mr. Nigel Alexander Dick  
Mr. John Norman Isaac  
Mr. Keith William Blyth (resigned August 1, 1995)  
Mr. Edmund Christopher Johnson (appointed September 8, 1995)

ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1995  
AND THE TEN MONTHS ENDED DECEMBER 31, 1995  
(CONTINUED)

NOTE 20. RELATED PARTY DISCLOSURES: (CONTINUED)

(b) The following related party transactions occurred during the financial period:

IDENTITY OF RELATED PARTY	NATURE OF RELATIONSHIP WITH ACCESS 24 SERVICE CORPORATION PTY LIMITED	OWNERSHIP INTEREST
RACV Insurance Pty Limited	Commonly controlled entity	--
Access 24 (Service Corporation) Limited (NZ)	Controlled entity	100%
Access 24 Limited (UK)	Controlled entity	100%
High Performance Healthcare Pty Ltd	Controlled entity	100%
Support 24 Pty Limited	Controlled entity	51%
Auto 24 Pty Limited	Commonly controlled entity	--
Dataview Solutions Pty Limited	Director related entity	--

IDENTITY OF RELATED PARTY	TYPE OF TRANSACTION	TERMS & CONDITIONS OF EACH TRANSACTION	VOLUME DECEMBER 31, 1995 (NOTE 22)	VOLUME FEBRUARY 28, 1995
RACV Insurance Pty Limited	Sales	Commercial terms and conditions	\$ 779,467	\$ 693,039
Auto 24 Pty Limited	Staff services fees	Commercial terms and conditions	877,093	448,863
	Loans advanced	Interest charged at commercial bank rates	651,050	545,000
	Loan repayments		632,459	427,118
	Interest receipts		18,392	--
High Performance Healthcare Pty Limited	Loans advanced	Nil interest	34,933	--
Access 24 (Service Corporation) Limited	Management fees	Commercial terms and conditions	251,754	169,891
	Loans advanced	Nil interest	--	555,000
	Loan repayments		220,708	42,000
Support 24 Pty Limited	Loans advanced	Nil interest	313,952	--
	Loan repayments		75,000	--
Dataview Solutions Pty Limited	Rent and related costs, software development, and accounts preparation	Commercial terms and conditions	\$ 100,329	\$ 133,906
Access 24 Limited	Loan advance	Nil interest	1,256,206	--

(c) During the current financial period, the parent entity entered into certain contracts on behalf of a controlled entity. These contracts are for:

- the provision of services to third parties,

ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1995  
AND THE TEN MONTHS ENDED DECEMBER 31, 1995  
(CONTINUED)

NOTE 20. RELATED PARTY DISCLOSURES: (CONTINUED)

- operating lease for premises,
- finance lease for equipment.

The assets, liabilities, revenues and expenses associated with these contracts have been reflected in the financial statements of the economic entity. They have not been reflected in the financial statements of the parent entity as, in substance, the transactions relate solely to the operations of the controlled entity.

(d) Interests in the shares of entities within the economic entity held by directors of the reporting entity and their director related entities, as at December 31, 1995:

ACCESS 24 SERVICE CORPORATION PTY LTD		
-----		
\$1 ORDINARY SHARES, FULLY PAID		
-----		
	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
J. E. Kendall.....	70	70
L. T. Carroll.....	36	36

NOTE 21. CASH FLOWS:

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	DECEMBER 31, 1995	FEBRUARY 28, 1995
	-----	-----
Cash balance comprises:		
Cash at bank and on hand.....	\$ 807,875	\$ 1,797,191
Cash held in trust.....	8,345	40,791
	-----	-----
	816,220	1,837,982
Bank overdraft.....	(196,453)	--
	-----	-----
	\$ 619,767	\$ 1,837,982
	-----	-----



ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1995  
AND THE TEN MONTHS ENDED DECEMBER 31, 1995  
(CONTINUED)

NOTE 21. CASH FLOWS: (CONTINUED)

(b) Reconciliation of operating profit/loss after tax to net cash flows from operating activities:

	TEN MONTHS ENDED DECEMBER 31, 1995 ----- (NOTE 22)	YEAR ENDED FEBRUARY 28, 1995 -----
Operating profit/(loss) after tax.....	\$ (28,435)	\$ 999,090
Depreciation and amortization:		
--Property, plant and equipment.....	547,589	346,420
--Intangibles.....	210,048	237,668
--Leased assets.....	196,086	203,335
Gain/(loss) on sale of non-current assets.....	(28,929)	70,736
Bad and doubtful debts.....	(42,135)	35,255
Changes in assets and liabilities:		
Trade receivables.....	(486,706)	(128,396)
Other receivables.....	(64)	2,662
Advances to related parties.....	(68,592)	--
Intercompany trade receivables.....	--	--
Security deposits.....	(27,875)	--
Accrued fees.....	(37,565)	--
Future income tax benefit.....	5,652	(90,852)
Prepayments.....	(210,468)	(65,178)
Other assets.....	(6,449)	--
Trade creditors.....	62,521	4,359
Sundry creditors and accruals.....	19,822	225,978
Prepaid fees and claims:		
--Trade creditors.....	387,979	--
--Trust accounts.....	(33,354)	(4,498)
Amounts due to related parties.....	(35,790)	--
Repayment of advances to related parties.....	--	78,855
Tax provision.....	(143,540)	447,534
Deferred income tax liability.....	52,246	47,045
Adjustment to retained earnings (re AASB 1028: Accounting for Employee Entitlements).....	(14,535)	--
Employee provisions.....	164,984	(10,289)
Net cash flows from operating activities.....	\$ 482,490	\$ 2,399,724
	-----	-----

(c) Non-cash financing and investing activities:

Purchases of certain plant and equipment has been conducted through finance leases and hire purchase agreements. These transactions do not result in cash outflows until the lease payments occur as per the individual agreements. Purchases of property, plant and equipment financed in this way for the 10 months ended December 31, 1995 totalled \$630,789 for Access 24 and \$1,304,100 for the economic entity (\$826,505 and \$787,960 for the year ended February 28, 1995). The total value of property, plant and equipment under lease and the resulting lease liabilities are disclosed in the financial statements.

ACCESS 24 SERVICE CORPORATION PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1995  
AND THE TEN MONTHS ENDED DECEMBER 31, 1995  
(CONTINUED)

NOTE 22. FINANCIAL PERIOD:

The parent entity and its controlled entities have changed financial year end from February 28 to December 31. As a result, these financial statements cover the ten month period from March 1 1995 to December 31, 1995. The comparative figures relate to the year ended February 28, 1995.

INSIDE BACK COVER OF PROSPECTUS:

The inside back cover is a multicolor graphic layout entitled "CUSTOMER CONNECTIVITY through TeleTech's network of people and technology." AFTER THE WORDS "CUSTOMER CONNECTIVITY", THERE IS A SUPERScript "R" SURROUNDED BY A CIRCLE, INDICATING THAT THE WORDS ARE A REGISTERED TRADEMARK OF TELETECH.

Located in the center of the page is a rectangular photograph of a call center over which is superimposed the word "TELETECH". Along the bottom edge of this photograph are four ovals labelled as follows (from left to right): "PHONE" (together with graphic icon of telephone handset); "INTERNET" (together with graphic icon of arrow "clicking" on a computer screen); "IVR" (together with a graphic icon of three buttons arranged vertically and labeled "1, 2 and 3"); and "FAX" (together with graphic icon of telephone handset and a sheet of paper).

Located towards the bottom of the page, below the above-described rectangular photograph and connected to the same by a curvilinear line, is an oval graphic labeled "teletech's clients", beneath which is written "fortune 1000."

Located above the rectangular photograph are six oval photographs containing close-up of one or more faces and labelled "client's customers." Overlapping each of these oval photographs is one of graphic icons identified along the bottom of the rectangular photograph, which indicates the services provided by TeleTech to the client's customer (e.g., FAX, PHONE, IVR [interactive voice response] and INTERNET). Each oval photograph is connected to the rectangular photograph by a curvilinear line.

TeleTech's corporate logo appears in the lower left-hand corner of the page, under which are written the words: "COPYRIGHT 1996."

[LOGO]

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

6,000,000 SHARES

[LOGO]  
COMMON STOCK  
-----

OF THE 6,000,000 SHARES OF COMMON STOCK BEING OFFERED, 4,000,000 SHARES ARE BEING SOLD BY THE COMPANY AND 2,000,000 SHARES ARE BEING SOLD BY THE SELLING STOCKHOLDERS NAMED HEREIN. THE COMPANY WILL NOT RECEIVE ANY OF THE PROCEEDS FROM THE SALE OF SHARES BY THE SELLING STOCKHOLDERS. SEE "PRINCIPAL AND SELLING STOCKHOLDERS." OF THE SHARES BEING OFFERED, SHARES ARE BEING OFFERED INITIALLY OUTSIDE OF THE UNITED STATES AND CANADA BY THE INTERNATIONAL UNDERWRITERS AND SHARES ARE BEING OFFERED INITIALLY IN THE UNITED STATES AND CANADA BY THE U.S. UNDERWRITERS. SEE "UNDERWRITERS." PRIOR TO THE OFFERING, THERE HAS BEEN NO PUBLIC MARKET FOR THE COMMON STOCK OF THE COMPANY. IT IS CURRENTLY ANTICIPATED THAT THE INITIAL PUBLIC OFFERING PRICE WILL BE BETWEEN \$ AND \$ . SEE "UNDERWRITERS" FOR A DISCUSSION OF THE FACTORS CONSIDERED IN DETERMINING THE INITIAL OFFERING PRICE.  
-----

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" COMMENCING ON PAGE 6 HEREOF.  
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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.  
-----

PRICE \$ A SHARE  
-----

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS (1)	PROCEEDS TO COMPANY (2)	PROCEEDS TO SELLING STOCKHOLDERS
PER SHARE.....	\$	\$	\$	\$
TOTAL (3).....	\$	\$	\$	\$

- 
- (1) THE COMPANY AND THE SELLING STOCKHOLDERS HAVE AGREED TO INDEMNIFY THE UNDERWRITERS AGAINST CERTAIN LIABILITIES, INCLUDING LIABILITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED.
- (2) BEFORE DEDUCTING EXPENSES PAYABLE BY THE COMPANY ESTIMATED AT \$ . THE COMPANY HAS AGREED TO PAY THE EXPENSES OF THE SELLING STOCKHOLDERS, OTHER THAN UNDERWRITING DISCOUNTS AND COMMISSIONS.
- (3) ONE OF THE SELLING STOCKHOLDERS HAS GRANTED THE U.S. UNDERWRITERS AN OPTION, EXERCISABLE WITHIN 30 DAYS OF THE DATE HEREOF, TO PURCHASE UP TO AN AGGREGATE OF 900,000 ADDITIONAL SHARES OF COMMON STOCK AT THE PRICE TO PUBLIC LESS UNDERWRITING DISCOUNTS AND COMMISSIONS FOR THE PURPOSE OF COVERING OVER-ALLOTMENTS, IF ANY. IF THE U.S. UNDERWRITERS EXERCISE SUCH OPTION IN FULL, THE TOTAL PRICE TO PUBLIC, UNDERWRITING DISCOUNTS AND COMMISSIONS, PROCEEDS TO COMPANY AND PROCEEDS TO SELLING STOCKHOLDERS WILL BE \$ , \$ , \$ , AND \$ , RESPECTIVELY. SEE "UNDERWRITERS."
- 

THE SHARES ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITERS NAMED HEREIN AND SUBJECT TO APPROVAL OF CERTAIN LEGAL MATTERS BY KATTEN MUCHIN & ZAVIS, COUNSEL FOR THE UNDERWRITERS. IT IS EXPECTED THAT DELIVERY OF THE SHARES WILL BE MADE ON OR ABOUT , 1996 AT THE OFFICE OF MORGAN STANLEY & CO. INCORPORATED, NEW YORK, NEW YORK, AGAINST PAYMENT THEREFOR IN IMMEDIATELY AVAILABLE FUNDS.  
-----

MORGAN STANLEY & CO.  
INTERNATIONAL  
ALEX. BROWN & SONS  
INCORPORATED  
SMITH BARNEY INC.  
 , 1996

PART II  
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following are the estimated expenses (other than the SEC registration fee, NASD filing fee and the Nasdaq National Market application fee) of the issuance and distribution of the securities being registered, all of which will be paid by TeleTech Holdings, Inc. ("TeleTech").

SEC registration fee.....	\$41,637.93
NASD filing fee.....	12,575.00
Nasdaq National Market application fee.....	50,000.00
Printing expenses.....	*
Fees and expenses of counsel.....	*
Fees and expenses of accountants.....	*
Transfer agent and registrar fees.....	*
Blue sky fees and expenses.....	*
Miscellaneous.....	*
	-----
Total.....	\$ *
	-----
	-----

- -----  
\*To be provided by amendment.

TeleTech will bear all of the foregoing expenses. In addition, TeleTech intends to pay all expenses of registration, issuance and distribution, excluding underwriters' discounts and commissions, with respect to the shares being sold by the Selling Stockholders.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Under Delaware law, a corporation may indemnify any person who was or is a party or is threatened to be made a party to an action (other than an action by or in the right of the corporation) by reason of such person's service as a director or officer of the corporation, or such person's service, at the corporation's request, as a director, officer, employee or agent of another corporation or other enterprise, against expenses (including attorneys' fees) that are actually and reasonably incurred by such person ("Expenses"), and judgments, fines and amounts paid in settlement that are actually and reasonably incurred by such person, in connection with the defense or settlement of such action; provided that such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that such person's conduct was unlawful. Although Delaware law permits a corporation to indemnify any person referred to above against Expenses in connection with the defense or settlement of an action by or in the right of the corporation, provided that such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the corporation's best interests, if such person has been judged liable to the corporation, indemnification is only permitted to the extent that the adjudicating court (or the court in which the action was brought) determines that, despite the adjudication of liability, such person is entitled to indemnity for such Expenses as the court deems proper. The determination as to whether a person seeking indemnification has met the required standard of conduct is to be made (1) by a majority vote of a quorum of disinterested members of the board of directors, or (2) by independent legal counsel in a written opinion, if such a quorum does not exist or if the disinterested directors so direct, or (3) by the stockholders. The General Corporation Law of Delaware also provides for mandatory indemnification of any director, officer, employee or agent against Expenses to the extent such person has been successful in any proceeding covered by the statute. In addition, the General Corporation Law of Delaware provides for the general authorization of advancement of a director's or officer's litigation expenses in lieu of requiring the authorization of such advancement by the board of directors in specific cases, and that indemnification and advancement of expenses provided by the statute shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement or otherwise.

TeleTech's Restated Certificate of Incorporation and By-laws provide that TeleTech shall indemnify its directors, officers, employees and other agents to the fullest extent permitted by Delaware law.

TeleTech has also entered into agreements to indemnify its directors and certain of its officers, in addition to the indemnification provided for in TeleTech's Restated Certificate of Incorporation and By-laws. These agreements provide, among other things, that TeleTech will indemnify its directors and officers for all direct and indirect expenses and costs (including, without limitation, all reasonable attorneys' fees and related disbursements, other out-of-pocket costs and reasonable compensation for time spent by such persons for which they are not otherwise compensated by TeleTech or any third person) and liabilities of any type whatsoever (including, but not limited to, judgments, fines and settlement fees) actually and reasonably incurred by such person in connection with either the investigation, defense, settlement or appeal of any threatened, pending or completed action, suit or other proceeding, including any action by or in the right of the corporation, arising out of such person's services as a director, officer, employee or other agent of TeleTech, any subsidiary of TeleTech or any other company or enterprise to which the person provides services at the request of TeleTech. TeleTech believes that these provisions and agreements are necessary to attract and retain talented and experienced directors and officers.

TeleTech maintains liability insurance for the benefit of its directors and officers.

Under the terms of the Underwriting Agreement, the Underwriters have agreed to indemnify, under certain conditions, TeleTech, its directors, certain of its officers and persons who control TeleTech within the meaning of the Securities Act of 1933, as amended (the "Securities Act") against certain liabilities.

#### ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

The shares of common stock, par value \$.002 per share (the "Common Stock"), issued in the transactions described below reflect a five-for-one split of the Common Stock to be effected immediately prior to the closing of the Offering contemplated by this Registration Statement.

Pursuant to the terms of, and as a condition precedent to consummation of the transactions contemplated by, that certain Preferred Stock Purchase Agreement dated as of December 22, 1994 by and among TeleTech Teleservices, Inc., a Colorado corporation ("TTS"), TeleTech Telecommunications, Inc., a California corporation ("TTC"), TeleTech, TeleTech Investors General Partnership, an Illinois general partnership (the "Partnership"), and Essaness Theaters Corporation, a Delaware corporation ("Essaness"), TeleTech, on January 17, 1995, issued (a) 40,700,000 shares of Common Stock to Kenneth D. Tuchman ("Tuchman") in exchange for all of the issued and outstanding shares of capital stock of TTS and TTC then owned by Tuchman, and (b) and 1,705,000 and 155,000 of its convertible preferred stock, par value \$6.45 per share ("Preferred Stock"), to the Partnership and Essaness, respectively, in exchange for \$11,000,000 and \$1,000,000 respectively. Each share of Preferred Stock is convertible into five shares of Common Stock, subject to adjustment under various anti-dilution provisions.

Between January 1, 1995 and May 15, 1996, TeleTech granted to certain of its officers, employees, consultants and independent contractors options to acquire an aggregate of 4,968,500 shares of Common Stock. All of such options were granted pursuant to option agreements between TeleTech and each option holder and are subject to the terms of the TeleTech Holdings, Inc. Stock Plan ("Option Plan").

On January 1, 1996, TeleTech acquired all of the outstanding capital stock of Access 24 Service Corporation Pty Limited, a corporation incorporated under the laws of New South Wales, Australia ("Access 24"). As consideration for such capital stock, TeleTech issued 712,520 shares of Common Stock to Bevero Pty Limited and paid \$2.27 million and issued 257,220 shares of Common Stock to Access 24 Holdings Pty Limited.

In connection with the acquisition of Access 24, TeleTech entered into an employment agreement dated as of January 1, 1996 with Dr. John E. Kendall, as Vice President, Strategic Planning, of TeleTech. In connection with Dr. Kendall's execution of the agreement, TeleTech issued to Dr. Kendall 38,000 shares of Common Stock, which shares constitute restricted stock subject to the terms of the Option Plan and vest proportionately over the three year period commencing on the date of issuance.



Also in connection with the acquisition of Access 24, TeleTech caused Access 24 to enter into an employment agreement dated as of January 1, 1996 with Louis T. Carroll, as Managing Director of Access 24. In connection with Mr. Carroll's execution of the agreement, TeleTech issued to Mr. Carroll 38,000 shares of Common Stock, which shares constitute restricted stock subject to the terms of the Option Plan and vest proportionately over the three year period commencing on the date of issuance.

During 1996, TeleTech has granted options to acquire 225,000 shares of Common Stock to its former and current non-executive directors, at an exercise price of \$5.00 per share, pursuant to the TeleTech Holdings, Inc. Directors Stock Option Plan (the "Directors Plan"). All of such options are subject to the terms of the Directors Plan and were granted pursuant to option agreements between TeleTech and each director who received such options.

No underwriters were involved in the transactions described above. All of the shares and options issued in the foregoing transactions were issued or granted by the Company in reliance upon the exemptions from registration available under Section 4(2) of the Securities Act, including Rule 701, Regulation D or Regulation S promulgated thereunder.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

- (a) Exhibits  
See attached Exhibit Index.
- (b) Financial Statement Schedules:  
None

ITEM 17. UNDERTAKINGS.

(a) The undersigned Registrant hereby undertakes to provide to the Underwriters at the closings specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby undertakes that for purposes of determining any liability under the Securities Act, (i) the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective and (ii) each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

# SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Denver, Colorado on June 5, 1996.

By: /s/ KENNETH D. TUCHMAN

-----  
Kenneth D. Tuchman  
CHAIRMAN OF THE BOARD OF DIRECTORS,  
PRESIDENT AND CHIEF EXECUTIVE  
OFFICER

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS AMENDMENT NO. 1 TO THE REGISTRATION STATEMENT HAS BEEN SIGNED ON JUNE 5, 1996 BY THE FOLLOWING PERSONS IN THE CAPACITIES INDICATED:

## SIGNATURE

## TITLE

/s/ KENNETH D. TUCHMAN

-----  
Kenneth D. Tuchman

Chairman of the Board, President and Chief Executive  
Officer (Principal Executive Officer)

\* STEVEN B. COBURN

-----  
Steven B. Coburn

Chief Financial Officer (Principal Financial and  
Accounting Officer)

\* ALAN SILVERMAN

-----  
Alan Silverman

Director

\* RICHARD WEINGARTEN

-----  
Richard Weingarten

Director

\* SAMUEL ZELL

-----  
Samuel Zell

Director

\*By: /s/ KENNETH D. TUCHMAN

-----  
Kenneth D. Tuchman  
As Attorney-in-Fact

## EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
1.1*	Form of Underwriting Agreement
3.1*	Restated Certificate of Incorporation of TeleTech
3.2*	Amended and Restated By-laws of TeleTech
4.1*	Amended and Restated Investment Agreement dated as of May , 1996 among TeleTech, TeleTech Investors General Partnership, Alan Silverman, Susan Silverman and Jack Silverman
4.2*	Stock Transfer and Registration Rights Agreement dated as of January 1, 1996 among TeleTech, Access 24 Holdings Pty Limited, Bevero Pty Limited and Access 24 Service Corporation Pty Limited
4.3*	Specimen Common Stock Certificate
5.1*	Opinion of Neal, Gerber & Eisenberg, counsel to TeleTech
10.1**	Employment Agreement dated as of January 1, 1995 between Kenneth D. Tuchman and TeleTech
10.2**	Employment Agreement dated as of January 1, 1995 between Joseph D. Livingston and TeleTech (the "Livingston Employment Agreement")
10.3*	Amendment to the Livingston Employment Agreement dated May , 1996
10.4*	Employment Agreement dated as of September 30, 1995 between Steven B. Coburn and TeleTech
10.5**	Preferred Stock Purchase Agreement dated as of December 22, 1994 among TeleTech Teleservices, Inc., TeleTech Telecommunications, Inc., TeleTech, TeleTech Investors General Partnership and Essaness Theaters Corporation
10.6*	Subscription and Shareholders Agreement dated April 30, 1996 among TeleTech, Access 24 Limited and Priplan Investments Limited
10.7**	TeleTech Holdings, Inc. Stock Plan
10.8**	TeleTech Holdings, Inc. Director Stock Option Plan
10.9	Sublease Agreement dated September 26, 1994 between International Business Machines Corporation and TeleTech Telecommunications, Inc.
10.10	Agreement dated March 16, 1993 between 1700 Lincoln Limited and TeleTech Telecommunications, Inc. and TeleTech Teleservices, Inc.
10.11**	Lease dated September 21, 1995 between First Union Management, Inc. and TeleTech Teleservices and TeleTech
10.12	Form of Client Services Agreement
10.13*	Agreement for Call Center Management between United Parcel General Services Co. and TeleTech
10.14*	Office Lease dated July 24, 1992 between Sam Menlo, d/b/a Menlo Enterprises and TeleTech Telecommunications
10.15**	Business Loan Agreement dated March 29, 1996 among TeleTech Telecommunications, Inc., TeleTech Teleservices, Inc. and TeleTech, as Borrower, and First Interstate Bank of California, as Lender; Addendum dated March 29, 1996
10.16**	Stock Purchase Agreement dated as of January 1, 1996 among Access 24 Holdings Pty Limited, Bevero Pty Limited, Access 24 Service Corporation Pty Limited and TeleTech
10.17*	Master Lease Agreement dated as of July 11, 1995 among First Interstate Bank of California, TeleTech, TeleTech Telecommunications, Inc. and TeleTech Teleservices, Inc.
10.18	Master Equipment Lease Agreement dated as of August 16, 1995 between NationsBanc Leasing Corporation and TeleTech
21.1*	List of subsidiaries
23.1	Consent of Arthur Anderson LLP, independent public accountants
23.2	Consent of Gumbiner, Savett, Finkel, Fingleson & Rose, Inc. (formerly Gumbiner, Savett, Friedman & Rose, Inc.), independent public accountants
23.3*	Consent of Neal, Gerber & Eisenberg (included in Exhibit 5.1)
24.1**	Power of Attorney (previously included on the signature page to the Registration Statement)
27**	Financial Data Schedule

- - - - -

\*To be filed by amendment.

\*\*Previously filed

SUBLEASE AGREEMENT  
2130 N. HOLLYWOOD WAY, BURBANK, CALIFORNIA 91504

THIS SUBLEASE AGREEMENT ("SUBLEASE"), made as of September 26, 1994, between INTERNATIONAL BUSINESS MACHINES CORPORATION, a New York corporation, having its principal office at Armonk, New York 10504, hereinafter called "Sublessor" and TELETECH TELECOMMUNICATIONS, INC., a California corporation, having its principal office at 15355 Morrison Street, Sherman Oaks, CA 91403, hereinafter called "SUBLESSEE".

WITNESSETH:

WHEREAS, by Agreement of Lease dated July 16, 1993, as amended by that certain Amendment No. 1 to Lease dated as of September 15, 1993, and by that certain Amendment No. 2 to Lease and Lease Assignment and Assumption dated as of September 26, 1994, a true and complete copy of which is attached hereto as Sublease Exhibit A and incorporated herein by this reference (collectively, herein called the "PRIME LEASE"), Sublessor leases from CP Private Partners, LP-1 (the "PRIME LESSOR") the building commonly known as 2130 N. Hollywood Way, Burbank, CA 91504 (the "BUILDING"); and

WHEREAS, Sublessee desires to sublease a portion of the Building from Sublessor, and Sublessor desires to sublease such portion of the Building to Sublessee; and

WHEREAS, Sublessor represents, warrants, and covenants that the Prime Lease is enforceable against the owner of the "Land" as such term is defined in the Prime Lease.

NOW, THEREFORE, for and in consideration of the foregoing and for other good and valuable consideration and of the mutual agreements hereinafter set forth, Sublessor and Sublessee stipulate, covenant and agree as follows:

1. PREMISES. Sublessor does hereby sublease to Sublessee a portion of the Building consisting of approximately 44,973 square feet of rentable area (the "Sublease Premises") as outlined on Sublease Exhibit C, which is attached hereto and made a part hereof. Unless a different meaning is clearly expressed in this Sublease, all terms having their initial letters capitalized and used without definition shall have the meaning ascribed to them in the Prime Lease.

2. SUBLEASE TERM.

2.1 COMMENCEMENT DATE. The term of this Sublease shall commence on the date ("Commencement Date") which is the earlier of (a) the date the Sublease Premises are ready for occupancy as specified in Section 2.2; (b) the date on which Sublessee takes possession of or occupies any portion of the Sublease Premises for the conduct of its business; or (c) the date the Sublease Premises would have been ready for occupancy but for Sublessee Delay (as

defined in Sublessor's Improvement Letter) and shall end on January 14, 2000, unless sooner terminated pursuant hereto ("Sublease Term"). The Commencement Date is projected to occur on or before January 15, 1995. Promptly following the Commencement Date, Sublessor and Sublessee shall execute and acknowledge a Memorandum of Sublease Commencement in the form attached hereto as Sublease Exhibit D, setting forth the Commencement Date and the expiration date of the Sublease Term.

2.2 OCCUPANCY DATE. Sublessor shall construct and complete all construction for the Sublease Premises for occupancy by Sublessee on or before January 15, 1995, in accordance with the specifications and drawings approved by Sublessee and Sublessor and in accordance with the provisions of Sublessor's Improvement Letter, attached hereto as Sublease Exhibit E. Sublessor shall deliver to Sublessee a written notice stating the date on which the Sublease Premises will be ready for occupancy (the "Occupancy Date"), such notice to be given not less than 30 days prior to the Occupancy Date indicated in the notice. The Sublease Premises shall be deemed ready for occupancy when (a) Sublessee has uninterrupted and safe access to the Sublease Premises; (b) the Building Service Systems, the Leased Premises Service Systems, and the Building Parking Area are operational to the extent necessary to service the Sublease Premises; (c) Sublessor has provided Sublessee the number of parking spaces set forth in Section 12 and the Building Parking Area is ready for the parking of such automobiles; (d) Sublessor has substantially completed all the work and improvements (as described in Sublessor's Improvement Letter) required to be performed by Sublessor other than (i) minor details of construction and decoration and minor mechanical adjustments which do not materially interfere with Sublessee's use of the Sublease Premises (i.e., punch list items), and (ii) any work or improvements on any portion of the Sublease Premises which is not completed due to any Sublessee Delay (as defined in Sublessor's Improvement Letter); and (e) Sublessor shall have (i) obtained a Certificate of Occupancy for the Building or a temporary Certificate of Occupancy (or equivalent permit from the city of Burbank) permitting occupancy of the portion of the Building on which the Sublease Premises are located, or (ii) completed all work and improvements necessary to entitle Sublessor to the issuance of such a Certificate of Occupancy or a temporary Certificate of Occupancy (or equivalent permit) for such space, other than for work and improvements not completed due to any Sublessee Delay. Notwithstanding anything to the contrary set forth above, if the Occupancy Date is delayed as a result of any act or omission of any kind by Sublessee, its agents or employees, the Commencement Date (and the commencement of Sublessee's obligation to pay rent) shall be determined without regard to such delay.

2.3 ACCEPTANCE. By entering into possession and occupancy of the Sublease Premises and except for such matters as Sublessee shall specify to Sublessor in writing within thirty (30) days

thereafter, Sublessee shall be conclusively deemed to have accepted the Sublease Premises and to have agreed that Sublessor, up to the time of such occupancy, had performed all of its obligations hereunder with respect to the Sublease Premises and that the Sublease Premises are in satisfactory condition and in full compliance with the requirements of this Sublease, except for minor details of construction, decoration and mechanical adjustments referred to in Section 2.2.

2.4 CANCELLATION FOR FAILURE TO COMPLETE. Sublessee shall have the right to cancel and terminate this Sublease (and the rights and obligations of the parties hereunder) if, on or before April 15, 1995 ("Completion Date"), the Commencement Date has failed to occur. In the event of such termination, Sublessor shall immediately return to Sublessee all sums paid by Sublessee to Sublessor pursuant to this Sublease. The Completion Date shall be delayed, on a day-for-day basis, by any Sublessee Delay of the type described in Sublessor's Improvement Letter. The Completion Date shall also be delayed, on a day-for-day basis for up to three (3) additional months, by force majeure delays as described below.

2.4.1 Delays due to fire, earthquake, flood, enemy actions, civil commotion, unavoidable casualty, acts of God, or action or inaction of government entities shall be deemed force majeure delays for purposes of this Section 2.4.

2.4.2 Sublessee's right to cancel and terminate this Sublease must be exercised by a written notice to Sublessor given within thirty (30) days after the Completion Date. Sublessee's cancellation and termination of this Sublease pursuant to this Section 2.4 shall be effective thirty (30) days after delivery of said cancellation notice to Sublessor, if, within said thirty (30) day period, the Commencement Date has still not occurred. Landlord shall be deemed to have satisfied all of its obligations under this Section 2.4 upon the occurrence of the Commencement Date.

2.5 HOLDOVER. If Sublessee remains in the Sublease Premises beyond the expiration or earlier termination of the Sublease Term, such holding over in itself shall not constitute a renewal or extension of this Sublease but in such event, a tenancy from month to month shall arise. During the holdover period, Sublessee shall pay a monthly rental (holdover Base Rent") equal to the following:

2.5.1 If Sublessee is the sole occupant of the Building, Holdover Base Rent shall equal: (a) Sublessor's installment of holdover rent payable to Prime Lessor pursuant to Article 25 of the Prime Lease for the same month of the Sublease Term, plus (b) Operating Expenses and Real Estate Taxes payable by Sublessor to Prime Lessor.

2.5.2 If Sublessee is not the sole occupant of the Building, the Holdover Base Rent shall equal: (a) Sublessee's PRO

RATA share of Sublessor's installment of holdover rent payable to Prime Lessor pursuant to Article 25 of the Prime Lease for the same month of the Sublease Term, plus (b) Sublessee's PRO RATA share of Operating Expenses and Real Estate Taxes payable by Sublessor to Prime Lessor.

3. USES. Sublessee shall use and occupy the Sublease Premises for general office and storage uses only. Sublessor shall be responsible for obtaining permits for Sublessee's uses that will be required for Sublessee's occupancy of the Sublease Premises. If, thereafter, Sublessee shall institute a special use of the Sublease Premises, which requires an amendment to the existing certificate of occupancy, Sublessee shall be responsible for obtaining the same as well as any other governmental permit, approval or license required by applicable Laws. Sublessor shall cooperate with Sublessee and shall execute all applications, authorizations and other instruments reasonably required to enable Sublessee to fulfill its responsibilities under this Section.

3.1 RESTRICTIONS ON OPENINGS IN NORTHERN WALL OF BUILDING. Sublessee acknowledges that the City of Burbank has required that Prime Lessor execute and record a Statement of Covenants in the form of Exhibit A to Amendment No. 1 to the Prime Lease (the "Statement of Covenants"). Sublessee acknowledges that under the circumstances described in the Statement of Covenants, Prime Lessor may be required to remove any openings in the northern wall of the Building to the extent required to comply with applicable Uniform Building Code requirements. In such event, notwithstanding anything to the contrary in this Sublease, Sublessee shall cooperate with Prime Lessor and permit such work to be completed in accordance with the Statement of Covenants (including without limitation paragraphs 3 and 4 thereof) in an efficient and expeditious manner. Any such alterations shall be at Prime Lessor's sole expense.

#### 4. RENTS AND ADDITIONAL RENT.

4.1 SUBLEASE RENT. Sublessee shall pay Sublessor the annual rent of Six Hundred Forty-Seven Thousand Six Hundred Eleven and 20/100 Dollars (\$647,611.20) payable in equal monthly installments of Fifty-Three Thousand Nine Hundred Sixty-Seven and 60/100 Dollars (\$53,967.60) in advance on the first day of each month during the term of this Sublease without deduction, set off or demand. Rent for any portion of a month shall be prorated on a thirty (30) day basis. Rent payments will be delivered to Sublessor's office located at Scribcor, Incorporated, as agent for IBM lease administration, P.O. Box 809224 Chicago, Illinois 60680-9224, or such other place as Sublessor may designate in writing. The annual rent set forth above is comprised of a base rent of Fourteen and 40/100 Dollars (\$14.40) per square foot of rentable area.

4.2 ADDITIONAL RENT. Sublessee shall pay as additional rent its PRO RATA share of any increases in Operating Expenses and Real

Estate Taxes above Base Year Operating Expenses and Base Year Real Estate Taxes, which are due under Sections 3.04 and 3.05 of the Prime Lease. Sublessee's PRO RATA share is 50.01 %, which is the ratio that 44,973 square feet of rentable area of the Sublease Premises bears to 89,780 square feet of rentable area in the Building. In interpreting and applying the terms of the Prime Lease to Sublessee, Sublessor agrees that Sublessee is responsible for only its PRO RATA share of Operating Expenses, Real Estate Taxes, and other items of Additional Rent to the extent such charges are not allocated PRO RATA according to rentable area of the Building in the Prime Lease. Sublessor shall furnish Sublessee with a true copy of the statement of Operating Expenses and Real Estate Taxes, delivered by Prime Lessor to Sublessor pursuant to the Prime Lease and include thereon a detailed statement of Sublessee's PRO RATA share of any increase in Operating Expenses or Real Estate Taxes. Sublessee shall reimburse Sublessor within thirty (30) days after the Operating Expense or Real Estate Taxes statement is furnished to Sublessee.

#### 5. INCORPORATION OF PRIME LEASE.

5.1 This Sublease is subject to all of the terms of the Prime Lease with the same force and effect as if fully set forth herein at length, excepting only as otherwise specifically provided herein. All of the terms with which Sublessor is bound to comply under the Prime Lease shall, to the extent only that they apply to the Sublease Premises and except as otherwise provided herein, be binding upon Sublessee, and all of the obligations of Prime Lessor set forth in the Prime Lease shall, to the extent that they apply to the Sublease Premises, inure to Sublessee's benefit. It is the intention of the parties that, except as otherwise provided in this Sublease, the relationship between Sublessor and Sublessee shall be governed by the language of the various articles of the Prime Lease as if they were typed out in this Sublease in full, and the words "Lessor", "Lessee", and "Lease" as used in the Prime Lease, shall read, respectively, "Sublessor", "Sublessee", and "Sublease". The deletions and changes to the Prime Lease set forth in this Section 5 are made only in reference to the interpretation of the provisions of the Prime Lease between Sublessor and Sublessee and not between Prime Lessor and Sublessor.

5.2 For the purposes of this Sublease, Section 1.02(c) (discussing single tenant occupancy of the Building) of the Prime Lease is deleted in its entirety.

5.3 For the purposes of this Sublease, Section 2.01 ("Initial Term") of the Prime Lease is deleted in its entirety.

5.4 For the purposes of this Sublease, Section 2.02 ("Extended Term") of the Prime Lease is deleted in its entirety and replaced with the following:



"Section 2.02. All adjustments to the Lease to accommodate a multi-tenant building shall be made on a proportionate basis (for example, adjustments in Tenant's share of the Operating Expenses), except if the adjustment cannot be made on a proportionate basis (for example, signage and other Tenant rights), the adjustment shall be made on a fair and equitable basis. Any disagreements shall be subject to arbitration pursuant to Article Thirty-Eight. "

5.5 For the purposes of this Sublease, Section 3.01 ("Annual Rent") of the Prime Lease is deleted in its entirety.

5.6 For the purposes of this Sublease, Section 3.02 ("Extended Term Rent") of the Prime Lease is deleted in its entirety.

5.7 For the purposes of this Sublease, the first paragraph only of Section 3.04 ("Operating Expenses") of the Prime Lease is deleted in its entirety and replaced with the following:

"Section 3.04 OPERATING EXPENSES. Tenant shall pay as Additional Rent the amount by which the annual Operating Expenses for each Operating Expense Escalation Year exceed the Operating Expenses of the calendar year 1995 ("Operating Expense Base Year"). Notwithstanding the foregoing, during the Initial Term, Tenant's payment for increases in property management, contract services, landscaping and parking lot maintenance shall be limited to a four percent (4%) increase in any one year over the previous year."

5.8 For the purposes of this Sublease, Section 3.04(a)(A)(3) (listing items included in operating expenses) of the Prime Lease is deleted in its entirety and replaced with the following:

"(3) the cost of replacements for tools and maintenance equipment (such equipment shall not include air conditioning equipment, boilers, or any items of a capital nature; all tools and maintenance equipment purchased prior to and during the first year of full occupancy of the Building shall be considered capital items.);"

5.9 For the purposes of this Sublease, Section 3.04(b) (defining "Operating Expense Base Year") of the Prime Lease is deleted in its entirety and replaced with the following:

"(b) The words "Operating Expense Base Year" shall mean calendar year 1995 for the Sublease Term."

5.10 For the purposes of this Sublease, Section 3.05(c) (defining "Real Estate Tax Base Year") of the Prime Lease is deleted in its entirety and replaced with the following:

"(c) The words "Real Estate Tax Base Year" shall mean calendar year 1995 or the first year in which the Building is assessed as fully completed, including the construction and completion of the Base Building and Tenant's Improvements (collectively referred to as the "Landlord's Work" in Exhibit C), whichever occurs later."

5.11 For the purposes of this Sublease, Section 4.01 ("Construction") of the Prime Lease is deleted in its entirety.

5.12 For the purposes of this Sublease, Section 4.02 ("Term Commencement Date") of the Prime Lease is deleted in its entirety.

5.13 For the purposes of this Sublease, Section 4.06 ("Tenant's Rights") of the Prime Lease is deleted in its entirety.

5.14 For the purposes of this Sublease, Section 8.02 ("Special Uses") of the Prime Lease is deleted in its entirety.

5.15 For the purposes of this Sublease, Article 7 ("Parking") of the Prime Lease is deleted in its entirety.

5.16 For the purposes of this Sublease, Section 13.01(a) ("Tenant's Changes - - No Approval") of the Prime Lease is deleted in its entirety and replaced with the following:

"Section 13.01. SUBLESSEE'S CHANGES-NO APPROVAL

(a) Sublessee may place and replace its trade fixtures, tools, machinery, furniture, floor covering, equipment and other tangible personal property ("Sublessee's Personal Property") in the Sublease Premises and may make alterations, improvements (including painting) replacements and other changes to the Leased Premises Service Systems and to the interior of the Sublease Premises as it may desire at its own expense without Sublessor's consent, provided that Sublessee complies with all applicable laws. Sublessee shall not alter, improve, replace or change the Building Service Systems or the Structure except in

accordance with Section 13.02. Sublessee's alterations, improvements, replacements and other changes to the Leased Premises Service Systems or Building Service Systems shall be made in a manner which does not impair the performance of, or cause damage to, such Service Systems, and does not increase Sublessor's maintenance obligations. At least five business days prior to the commencement of any such work within the Sublease Premises, Sublessee shall notify Sublessor of the expected date of commencement and Sublessor shall then have the right at any time and from time to time to post and maintain on the Sublease Premises such notices as Sublessor reasonably deems necessary to protect the Sublease Premises, the Building and Sublessor from mechanics' and other liens. In any event, Sublessee shall not permit any mechanics' or other liens to be levied against the Project for any labor or materials furnished to Sublessee or claimed to have been furnished to Sublessee or to Sublessee's agents or contractors. All alterations, improvements or additions in or about the Sublease Premises performed by or on behalf of Sublessee shall be done in a good, workmanlike manner (consistent with a quality office environment) and in compliance with all applicable laws, ordinances, regulations and orders of any governmental authority having jurisdiction thereover. Notwithstanding the foregoing, this provision shall only apply to alterations, improvements, replacements and other changes to the Sublease Premises costing less than Fifty Thousand Dollars (\$50,000) in each instance and Sublessee shall obtain prior written approval of Sublessee's contractors from Prime Lessor."

5.17 For the purposes of this Sublease, Article 17 ("Signs") of the Prime Lease is deleted in its entirety.

5.18 For the purposes of this Sublease, Article 20 ("IBM Rent Guaranty") of the Prime Lease is deleted in its entirety.

5.19 For the purposes of this Sublease, Section 24.02 ("Suspension of Tenant Default") of the Prime Lease is deleted in its entirety.

5.20 For the purposes of this Sublease, Article 25 ("Holdover") of the Prime Lease is deleted in its entirety.

5.21 For the purposes of this Sublease, Article 26 ("Notices") of the Prime Lease is deleted in its entirety.

5.22 Sublessor and Sublessee acknowledge that the Prime Lease is missing its EXHIBIT F, referenced in Article 32 ("Rules and Regulations") which sets forth the rules and regulations applicable to the Project. For the purposes of this Sublease, the Rules and Regulations" attached hereto as Sublease Exhibit F shall be deemed to be the Rules and Regulations referred to in Article 32 ("Rules and Regulations") of the Prime Lease. In the event the terms of the Rules and Regulations are inconsistent with the terms and conditions of this Sublease, the terms and conditions of this Sublease shall control. The Rules and Regulations shall not be deemed to apply to any trailer, container, or other facility housing Sublessee's emergency generator equipment.

5.23 For the purposes of this Sublease, Article 37 ("Brokers") of the Prime Lease is deleted in its entirety and replaced with the following:

"ARTICLE THIRTY-SEVEN

BROKER

Sublessee warrants that it has not had any contact or dealings with any person or real estate broker other than Beitler Commercial Real Estate Services and CB Commercial Real Estate Group, Inc., which would give rise to the payment of any fee or brokerage commission in connection with this Sublease, and Sublessee shall indemnify, hold harmless and defend Sublessor from and against any liability with respect to any fee or brokerage commission (except one owing to Beitler Commercial Real Estate Services or CB Commercial Real Estate Group, Inc.) arising out of any act or omission of Sublessee. Sublessor covenants and agrees to pay all real estate commissions due in connection with this Lease to CB Commercial Real Estate Group, Inc. in accordance with the terms and conditions of Sublessor's commission agreement."

5.24 For the purposes of this Sublease, any arbitration proceeding between Sublessor and Sublessee pursuant to Section 38.03 ("Selection of Arbitrator") shall take place at a mutually acceptable location in the City of Los Angeles, California. To the extent that any arbitration proceeding involves Prime Lessor, Sublessor agrees to use its best efforts to have such arbitration

proceeding take place at a mutually acceptable location in the City of Los Angeles, California.

5.25 For the purposes of this Sublease, Article 44 ("Project Management Moving Expenses") of the Prime Lease is deleted in its entirety.

5.26 For the purposes of this Sublease, Exhibit D ("IBM Rent Guaranty") of the Prime Lease is deleted in its entirety.

6. BURBANK BLENDING FACILITY. Sublessor and Sublessee acknowledge that the Project is immediately adjacent to the Burbank Blending Facility (Project #04-2708) ("BURBANK FACILITY"), which facility is intended to remediate contaminated groundwater in the surrounding area.

6.1 NOISE MITIGATION. Sublessor shall cause Prime Lessor to mitigate noise from the Burbank Facility pursuant to the letter dated July 16, 1993, that is referenced in Article Forty-Three of the Prime Lease.

6.2 ENVIRONMENTAL LIABILITY. Notwithstanding Article 15 of the Prime Lease, in no event will Sublessee have any obligation or liability with respect to compliance with environmental Laws associated with the Burbank Facility or the contaminated groundwater in the surrounding area and Project, if any.

## 7. QUIET ENJOYMENT

7.1 SUBLESSOR. Sublessor covenants and agrees with Sublessee that upon Sublessee paying the rent and additional rent reserved in this Sublease and observing and performing all of the other obligations, terms, covenants and conditions of this Sublease on Sublessee's part to be observed and performed, Sublessee may peaceably and quietly enjoy the Sublease Premises during the Sublease Term. Sublessee shall have no claim against Sublessor for any earlier termination of the Sublease Term unless such termination was caused by the default of Sublessor in the performance of its obligations under the Prime Lease which have been assumed by Sublessor under this Sublease and have not been assumed by Sublessee hereunder.

7.2 SUBLESSEE. Sublessee covenants and agrees that Sublessee shall not do or suffer or permit anything to be done which would constitute a default under the Prime Lease or would cause the Prime Lease to be canceled, terminated or forfeited by virtue of any rights of cancellation, termination, or forfeiture reserved or vested in Prime Lessor under the Prime Lease, and that Sublessee will indemnify and hold harmless Sublessor from and defend Sublessor against all claims, liabilities, losses and damages of any kind whatsoever (excepting special and consequential damages)

that Sublessor may incur by reason of, resulting from or arising out of any such cancellation, termination or forfeiture.

8. NOTICES. Any notice, demand or request under this Sublease shall be in writing and shall be considered properly delivered when addressed as hereinafter provided and delivered by registered or certified mail (return receipt requested) which is deposited in the United States general or branch post office, or delivered by private express mail service. Any notice, demand or request by Sublessor to Sublessee shall be addressed to Sublessee at:

TeleTech Telecommunications, Inc.  
1700 Lincoln Street  
14th Floor  
Denver, CO 80203-4514  
Attention: Mr. Kenneth D. Tuchman

prior to the Commencement Date and at the Sublease Premises after the Commencement Date, with a copy sent simultaneously to:

AHN & LEE  
Suite 2000  
3435 Wilshire Boulevard  
Los Angeles, CA 90010-2006  
Attention: Charles Ahn, Esq.

until otherwise directed in writing by Sublessee. Any notice, demand or request by Sublessee to Sublessor shall be addressed to Sublessor at:

IBM Real Estate Services  
355 South Grand Avenue  
12th Floor  
Los Angeles, CA 90071  
Attention: Program Manager

with a copy sent simultaneously to:

IBM Real Estate and Procurement Services  
Old Orchard Road  
Armonk, NY 10504  
Attention: Associate General Counsel - Real Estate and Procurement Services

until otherwise directed in writing by Sublessor. Rejection or other refusal to accept or the inability to deliver because of a changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent.

9. ASSIGNMENT AND SUBLETTING.

9.1 For the purposes of this Sublease, Article 27 ("Assignment or Sublease") of the Prime Lease is deleted in its entirety and replaced with the following:

"ARTICLE TWENTY-SEVEN

ASSIGNMENT AND SUBLETTING

Without the consent of Sublessor, Sublessee may assign this Sublease or sublet all or any part of the Sublease Premises at any time during the Sublease Term to (a) an Affiliated Person of Sublessee, or (b) a successor entity created by merger, reorganization, recapitalization, or acquisition. Sublessee shall be permitted to retain the profit, if any from such assignment or sublease. For purposes of this Section, the words "Affiliated Person of Sublessee" mean a Person, directly or indirectly, through one or more intermediaries, controlled by Sublessee or under common control with Sublessee."

9.2 In addition to Sublessee's right to assign, sublet, or both under Section 9.1 above, Sublessee shall have all the rights of Sublessor under the Prime Lease to assign, sublet, or both to the extent such rights, if any, may be exercised by Sublessee as a sublessee under the Prime Lease. Sublessor shall cooperate with Sublessee, as reasonably requested by Sublessee, in any efforts by Sublessee to obtain the consent of Prime Lessor to any assignment or subletting.

9.3 No assignment or sublease of the Sublease shall operate to release Sublessee from its obligations under this Sublease. Failure of Sublessor to obtain the consent of Prime Lessor, if required, or submission by Sublessee of a proposed assignee or subtenant who, in the opinion of Sublessor reasonably exercised, is a competitor of Sublessor shall in each case be a reasonable and conclusive basis for withholding consent.

10. PRIME LESSOR'S RESPONSIBILITIES. Sublessee recognizes that Sublessor is not in a position to furnish the services set forth in the Prime Lease, obtain an agreement of non-disturbance, or how to perform certain other obligations which are not within the control of Sublessor, such as, without limitation, maintenance, repairs and replacements to the Building and premises, compliance with laws, and restoration of the premises and Building after casualty or condemnation. Therefore, notwithstanding anything to the contrary contained in this Sublease, Sublessee agrees that Sublessee shall look solely to Prime Lessor to furnish all services and to perform all obligations agreed upon by Prime Lessor under the Lease to furnish and perform. Sublessor shall not be liable to Sublessee or

be deemed in default hereunder for failure of Prime Lessor to furnish or perform the same. However, whenever under the terms of the Prime Lease, Prime Lessor shall fail to perform any of its Prime Lease obligations pertaining to the Sublease Premises, Sublessee may, at its option, enforce performance thereof if and to the extent authorized by the terms of the Prime Lease, and Sublessor shall cooperate with Sublessee in such enforcement. Notwithstanding the foregoing sentence, Sublessor shall not be obligated to cooperate with Sublessee in enforcing Prime Lessor's Prime Lease obligations under Sections 6.02, 9.04, 13.01, or 24.03 of the Prime Lease if Sublessor reasonably determines in good faith that Prime Lessor has not breached or defaulted on its Prime Lease obligations under such Sections of the Prime Lease.

11. CASUALTY AND CONDEMNATION. Article 10, titled "Fire and Other Casualty - Insurance", and Article 12, titled "Condemnation", of the Prime Lease are modified to provide that: (a) every reference to a time period in excess of two hundred (200) days is to be reduced to one hundred twenty-five (125) days, and (b) if by operation of either of these two Articles the Prime Lease is not terminated and continues in full force and effect, this Sublease shall not be terminated but shall also continue in full force and effect, except that until the premises are restored in accordance with these two Articles there shall be a proportionate abatement of annual rent and additional rent payable hereunder to the extent of damage to the premises as determined by Prime Lessor, Sublessor and Sublessee; provided, however, that such abatement shall in no event exceed the abatement granted to Sublessor under the Prime Lease for the premises and, provided further, that no compensation or claim or reduction will be allowed or paid by Sublessor by reason of inconvenience, annoyance or injury to Sublessee's business arising from the necessity of effecting repairs to the premises or any portion of the Building, whether such repairs are required by operation of these two Articles or any other provision of the Prime Lease.

12. PARKING. Sublessor shall, without charge to Sublessee, provide and maintain for the exclusive use of Sublessee's employees and invitees, designated parking areas in the Building Parking Area as shown on Sublease Exhibit C sufficient to accommodate One Hundred Twenty-Six (126) automobiles (as striped on the execution date of this Sublease). On or before the Commencement Date, Sublessor shall have the option of (a) providing Sublessee with an additional Sixty-Three (63) spaces for a total of One Hundred Eighty-Nine (189) spaces during the Sublease Term, or (b) waiving Sublessee's monthly installment of all rents for the second month of the Sublease Term. If Sublessor and Four Media Company execute a sublease for part of the Building prior to the Commencement Date, Sublessor and Sublessee agree that Sublessor shall exercise option (a) of the prior sentence and provide Sublessee with the additional Sixty-Three (63) parking spaces. Sublessee shall have access to the Building Parking Area twenty-four (24) hours a day, seven (7)



days a week. The Building Parking Area shall be illuminated to maintain a safe environment and maintained in a clean, safe and good condition. Sublessor reserves the right to enforce Sublessee's use of only its designated portion of the Building Parking Area at Sublessee's expense, subject to Sublessee's additional parking rights set forth below.

12.1 RESTRIPING. After obtaining Sublessor's written consent, which consent shall not be unreasonably withheld or delayed, Sublessee at its expense may restripe its designated parking areas within the Building Parking Area shown on Sublease Exhibit C. Any additional parking spaces created by such restriping shall be reserved for the exclusive use of Sublessee's employees and invitees. At the end of the Sublease Term and if requested in writing by Prime Lessor, Sublessee shall restore the parking configuration of its designated parking areas to the condition as striped on the execution date of this Sublease.

12.2 PARKING RIGHTS OF OTHER SUBTENANTS. Sublessor agrees to use reasonable diligence in minimizing the number of parking spaces used by, or granted to, other subtenants to the Building. In no event, however, will Sublessor provide a subtenant of the Building, other than Sublessee, more than 2.8 parking spaces per 1,000 square feet of subleased premises for that subtenant.

13. SECURITY DEPOSIT. Sublessee shall give Sublessor a check for \$107,935.20 made to "Scribcor, Inc.", when the Sublease is executed by Sublessee. Such \$107,935.20 check shall represent payment of \$53,967.60 for the first month's rent and a \$53,967.60 refundable security deposit.

14. SIGNAGE. Sublessee shall have the right to install its sign on the top of the shared building monument and on the facade of the Building above its front entry doors to the Sublease Premises, at Sublessee's expense, provided however that such signage may be included as part of the work and improvements provided for in Sublessor's Improvement Letter and may be installed prior to completion of all work and improvements, subject to Sublessor's reasonable approval. The exact location, size, materials, coloring, lettering and lighting of all the foregoing signage shall be agreed upon by Sublessor and Sublessee.

15. CONSENT OF PRIME LESSOR. This Sublease shall not become effective unless and until Sublessor has obtained and delivered to Sublessee the written consent of Prime Lessor to the subletting herein within ten (10) days after the execution of this Sublease by both Sublessor and Sublessee. The failure to obtain the written consent of Prime Lessor shall not terminate this Sublease nor terminate any further claim by either party against the other hereunder.

16. RIGHT OF FIRST OFFER.

16.1 PROPOSAL TO LEASE. Provided Sublessee is not in default hereunder, whenever any portion of the Building is available for lease to others (the "AVAILABLE SPACE"), Sublessee shall have a right of first offer as set forth herein. Provided Sublessee has given Sublessor notice of Sublessee's interest in leasing Available Space (which notice shall contain the approximate amount of rentable area in which Sublessee is interested) Sublessor shall not, within thirty (30) days after receipt of such notice, enter into or commit to enter into any lease of Available Space containing rentable area in an amount which does not differ by more than twenty percent (20%) from the rentable area specified in Sublessee's notice without first proposing to Sublessee a rent and other lease terms for such space. The Rent for the Available Space shall be the Fair Market Rental Rate (including the cost of tenant improvements and any other prevailing economic terms? as reasonably determined by Sublessor; provided, however, in no event shall the Rent for the Available Space per square foot of rentable area be more than one hundred fifty percent (150%) of the Rent per square foot of rentable area payable by Sublessee for the Sublease Premises initially leased hereunder, as the same may be adjusted from time to time. If Sublessee does not accept the terms of such proposal within five (5) days after receipt thereof, or does not execute an appropriate lease amendment reflecting such acceptance within fifteen (15) days after receipt thereof, Sublessor shall be free to lease such space to any other person.

16.2 SAME TERMS AND CONDITIONS. As of the date that Sublessor delivers actual possession to Sublessee of any Available Space subleased by Sublessee, such Available Space shall become part of the Sublease Premises and, except for the Fair Market Rental Rate as determined in this Section 16, shall be leased upon the same terms and conditions as the Sublease Premises.

17. BINDING AND ENTIRE AGREEMENT. This Sublease shall be binding on Sublessee and its heirs and executors, and on the respective legal representatives, successors and assigns of the parties. This Sublease contains the entire agreement of the parties with respect to the subject matter herein and may not be modified except by instrument in writing which is signed by both parties.

IN WITNESS WHEREOF, duly authorized representatives of the parties hereto have executed this Sublease as of the day and year first above written.

INTERNATIONAL BUSINESS MACHINES  
CORPORATION

TELETECHTELECOMMUNICATIONS, INC.

By: /s/ Paul T. Dimeo  
-----  
Paul Dimeo, Program Manager  
IBM Real Estate Services

By: /s/ Kenneth D. Tuchman  
-----  
Kenneth D. Tuchman, President

This sublease document is not intended to be a binding agreement until fully executed by both parties.

SUBLEASE EXHIBIT A  
PRIME LEASE

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LEASE

CP PRIVATE PARTNERS LP-1

"LANDLORD"

and

ALTIIUM

"TENANT"

Dated: July 16, 1993

A-1

BASIC LEASE INFORMATION

The following Basic Lease Information is attached to the Lease for reference and convenience only. The Basic Information is qualified in all respects by the applicable provisions of the Lease, and if there is a conflict between the Basic Lease Information and the provisions of the Lease, the provisions of the Lease shall control.

Date of Lease: July 16, 1993

Landlord: CP Private Partners LP-1  
c/o Cabot Partners Limited Partnership

Landlord Address: Sixty State Street:  
Boston, Massachusetts 02109

Tenant: Altium

Tenant Address:

After Term Commencement Date:  
2130 N. Hollywood Way,  
Burbank, CA 91504

Before Term Commencement Date:  
1935 N. Buena Vista Street;  
Burbank, CA 91504

Building Address: 2130 N. Hollywood Way;  
Burbank, CA 91504

Leased Premises: Approximately 89,780 square feet of rentable area  
consisting of the entire Building.

Building: Approximately 89,780 square feet of rentable area

Parking Spaces: 269

Term: Five (5) years  
The target date is estimated to be January 15, 1994

Options to Extend: Two (2) consecutive  
Five (5) year options

Tenant's Share: One Hundred percent (100%) of the Building

Annual Rent: \$1,346,700.00 per annum, computed at \$15.00 per square  
foot of rentable area

Service of Notices: By personal delivery, registered or certified mail, or  
by express mail as set forth in Article 26 of the  
Lease.

List of Exhibits:

Exhibit A:	Site Plan
Exhibit B:	Maintenance Specifications
Exhibit C:	Improvements Work Letter
Exhibit C:	Attachment 1
	Attachment 1-A Site Plan
	Attachment 1-B Elevation
	Attachment 1-C Pricing Plan PP-1
	Attachment 1-C.1 Final Space Plan
	Attachment 1-D Pricing Plan PP-2
	Attachment 1-E Pricing Plan PP-3
	Attachment 1-F Roofing Plan
	Attachment 1-G Equipment Heat Loads
	Attachment 1-H Computer Room Heat Loads
Exhibit D:	IBM Rent Guaranty
Exhibit E:	Title Exceptions

LEASE

PARTIES

THIS LEASE, made as of July 16, 1993, between CP Private Partners LP-1, a Delaware Limited Partnership having an office at Sixty State Street, Boston, Massachusetts 02109 hereinafter called "Landlord," and Altium, a California corporation, having its principal office at 2130 No. Hollywood Way, Burbank, California 91504 hereinafter called "Tenant."

ARTICLE ONE

PREMISES

Section 1.01 LEASE OF PREMISES. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, upon and subject to the covenants, agreements, provisions and conditions of this Lease, the Leased Premises comprising the entire building, together with the improvements to be constructed upon said Leased Premises (the "Building") known by the name and street address of 2130 North Hollywood Way, Burbank, California, situated on a plot of land (the "Land") described on EXHIBIT A. The Land, Building, Leased Premises, Building Service Systems, Leased Premises Service Systems, and Building Parking Area are collectively referred to in this Lease as the "Project."

Section 1.02 LEASED PREMISES.

(a) The Leased Premises shall mean the entire Building, as shown on EXHIBIT A. The actual rentable area of the Building is 89,780 square feet, which square footage Landlord represents and warrants has been determined as set forth in Section 1.02(b) below.

(b) The rentable area of the Building and the Leased Premises shall be computed whenever required pursuant to this Lease in accordance with the "American National Standard Method for Measuring Floor Area in Office Buildings ANSI Z65.1-1980 (reaffirmed 1989), approved June 21, 1989, incorporated herein by reference. Within sixty (60) days after the Leased Premises is Substantially Completed, either party may request that the Leased Premises and the Building be remeasured by Landlord's architect. If the actual rentable area of the Leased Premises is less, or the actual rentable area of the Building is more than the square footage set forth in Section 1.02(a), the Annual Rent and Tenant's Share of Additional Rent shall be decreased accordingly and the parties shall execute an amendment to this Lease which incorporates the changes. If the actual rentable area of the Leased Premises is more, or the actual rentable area of the Building is less than the

square footage set forth in Section 1.02(a), there shall be no change.

(c) Provided that Tenant continues to occupy the entire Building, the Leased Premises shall have the same meaning as the Project.

## ARTICLE TWO

### TERM

Section 2.01 INITIAL TERM. Tenant shall lease the Leased Premises for an initial term of five (5) years ("Initial Term") to commence on the Term Commencement Date (as defined in Section 4.02), the target date for which is January 15, 1994, subject to extension and earlier termination as hereinafter provided. If the Initial Term commences on a date other than the first day of a month, it shall expire at the end of the day five (5) years from the last day of the month in which it commenced. If the Initial Term commences on the first day of a month, it shall expire at the end of the day five (5) years from the last day of the preceding month. The parties shall enter into a Supplemental Agreement setting forth the commencement and expiration dates of the Initial Term.

### Section 2.02 EXTENDED TERM.

(a) Provided Tenant is not in default of any provisions of this Lease at the time of exercise of the option, which shall mean that Tenant has failed to cure any such default within the applicable grace period provided in Article 24, Tenant shall have the option to extend the term of this Lease for all or part of the Leased Premises for two (2) consecutive five (5) year term(s) (each an "Extended Term"). Each option shall be exercised by written notice to Landlord given at least nine (9) months prior to the expiration of the Initial Term or the applicable Extended Term. Each Extended Term shall be upon the same covenants, agreements, provisions and conditions that are contained herein for the Initial Term, except as expressly provided herein to the contrary and except for provisions that are inapplicable to an Extended Term. The Annual Rent payable during the applicable Extended Term shall be calculated in accordance with Section 3.02. As a condition to extending the term of this Lease, Tenant shall deliver a Lease Guaranty from International Business Machines Corporation in the form of Exhibit D, modified as necessary to reflect the dates and Annual Rent payable during the applicable Extended Term; alternatively, Tenant shall provide proof of similar creditworthiness or other corporate guaranty reasonably acceptable to Landlord.



(b) If Tenant exercises either of its options to extend the term of this Lease for only part of the Leased Premises ("Partial Leased Premises"), the rentable square footage and location of such Partial Leased Premises shall be as described in Exhibit A (dotted line). If the first Extended Term applies only to the Partial Leased Premises, then Tenant's option as to the second Extended Term shall apply only to the Partial Leased Premises. In the event of the exercise of such option, the parties agree to amend this Lease and to make the appropriate adjustments insofar as necessary to make the Lease applicable to the commercially reasonable requirements of a multi-tenant building. All adjustments to the Lease to accommodate a multi-tenant building shall be made on a proportionate basis (for example, adjustments in Tenant's share of the Operating Expenses), except if the adjustment cannot be made on a proportionate basis (for example, signage and other Tenant rights), the adjustment shall be made on a fair and equitable basis. Any disagreements shall be subject to arbitration pursuant to Article Thirty-Eight.

Section 2.03 TERM OF THIS LEASE. The word "Term" and the words "Term of this Lease" shall mean the Initial Term and any Extended Term which may become effective.

### ARTICLE THREE

#### RENT AND ADDITIONAL RENT

Section 3.01 ANNUAL RENT. Commencing on the Term Commencement Date and subject to the provisions of this Lease, Tenant shall pay the Annual Rent of One Million Three Hundred Forty-Six Thousand Seven Hundred Dollars (\$1,346,700.00) payable in equal monthly installments in advance of One Hundred Twelve Thousand Two Hundred Twenty-Five Dollars (\$112,225.00) on the first day of each calendar month during the Initial Term. The Annual Rent has been calculated at the annual rate of Fifteen Dollars (\$15.00) per square foot of rentable area. Rent for any period of less than one month shall be apportioned based on the number of days in that month. Tenant will pay the Annual Rent and Additional Rent to Landlord at the address stated above, or to such other person or place as Landlord may designate in writing. Upon execution of this Lease by both parties, Tenant shall deposit with Landlord the sum of One Hundred Twelve Thousand Two Hundred Twenty-Five Dollars (\$112,225.00) which amount represents the first monthly installment of Annual Rent.

Section 3.02 EXTENDED TERM RENT. The Annual Rent for each of the Extended Terms shall be calculated as follows:

(a) Within thirty (30) days of Tenant's notification to Landlord of its exercise of the option for an Extended Term, Landlord shall provide Tenant with written notice of the rent for

the Extended Term, calculated at ninety-three percent (93%) of the then prevailing Fair Market Rental Value for the first Extended Term, but not to exceed one hundred thirty percent (130%) of the sum of the Annual Rent and Additional Rent payable by Tenant for Real Estate Taxes and Operating Expenses, during the last year of the Initial Term. The rent for the second Extended Term shall be calculated at ninety-five percent (95%) of the then prevailing Fair Market Value for the second Extended Term. Fair Market Rental Value shall mean the rental rate, rent escalation provisions including a new base year for Operating Expenses and Real Estate Taxes, rental concessions, and the value of all other economic terms upon which similar Premises are being leased in the general area in which the Building is located, including the fact that Tenant's parking spaces are being provided free of charge during each Extended Term.

(b) If Tenant objects in writing to such terms as proposed by Landlord within thirty (30) days following receipt of written notice of Landlord's determination of such Fair Market Rental Value, then Landlord and Tenant shall each select a qualified MAI appraiser with at least five (5) years experience in the Burbank, Glendale and Pasadena commercial office building real estate market, and the two selected appraisers shall jointly select a third appraiser. Landlord's and Tenant's appraisers shall each conduct separate appraisals and if the two appraisals are within ten percent (10%) of each other, the two appraisals shall be averaged to determine the Fair Market Rental Rate. If the difference in the two appraisals is in excess of ten percent (10%), the third appraiser will determine which appraisal of the two shall be selected as the determination of Fair Market Rental Value. The fees and expenses of the appraiser selected by each party shall be borne by each party, and those of the third appraiser, shall be borne equally by Landlord and Tenant.

Section 3.03 ADDITIONAL RENT. In addition to Annual Rent, Tenant shall pay Additional Rent which shall mean all sums of money payable by Tenant under this Lease other than Annual Rent.

Section 3.04 OPERATING EXPENSES. Tenant shall pay as Additional Rent the amount by which the annual Operating Expenses for each Operating Expense Escalation Year exceed the Operating Expenses for the calendar year 1994 ("Operating Expense Base Year"). Notwithstanding the foregoing, during the Initial Term, Tenant's payment for increases in property management, contract services, landscaping and parking lot maintenance shall be limited to a four percent (4%) increase in any one year over the previous year.

(a) The words "Operating Expenses" shall mean the operating costs specified below in Paragraph A which are actually incurred by Landlord in the Operating Expense Base Year and in an Operating Expense Escalation Year, to the extent they are properly allocable

(in accordance with generally accepted accounting principles and practices consistently applied) to the operation, repair and maintenance of the Project. Any cost allocable to the items specified below in Paragraph B and any costs incurred in or allocated to the period after the expiration or earlier termination of the Term shall be excluded from Operating Expenses.

A. ITEMS INCLUDED IN OPERATING EXPENSES:

(1) salaries, wages, and all other expenses incurred for the employment of the Building operating personnel, excluding Landlord's officers and partners, the Building manager and engineer and headquarters staff (such costs being covered under subparagraph (9);

(2) the cost of materials and supplies;

(3) the cost of replacements for tools and maintenance equipment (such equipment shall not include air conditioning equipment, boilers, or any items of a capital nature; all tools and maintenance equipment purchased during the first year of full occupancy of the Building shall be considered capital items.);

(4) amounts paid by Landlord to independent contractors for services (including full or part-time labor) and materials;

(5) Intentionally deleted

(6) Intentionally deleted

(7) the cost of telephone service, postage, office supplies, maintenance and repair of office equipment and similar charges related to operation of the Building;

(8) premiums for insurance purchased by Landlord pursuant to Subsection 10.02(a), subject to Paragraph B, subparagraph (11) below;

(9) a management fee equal to 3.4% of the Annual Rent;

(10) all costs and expenses (other than those of a capital nature) of maintaining, repairing and replacing paving, curbs, walkways and landscaping;

(11) Intentionally deleted

(12) the cost of normal maintenance of mechanical and electrical equipment, including heating, ventilating and air conditioning, but excluding capital expenditures (If because of guarantees, warranties or any other reasons, all of such costs are not incurred in the Operating Expense Base Year, the Operating

Expense Base Year for such costs shall be the first full calendar year that all such costs are incurred).

(13) legal expenses arising out of the operation, use, occupation, or maintenance of the Project or the enforcement of the provisions of any agreements affecting the Project in an amount not to exceed One Thousand Dollars (\$1,000.) for any one calendar year during the term of this Lease;

(14) costs incurred by Landlord in making capital improvements to the Project following a fire or other casualty, subject to the limit in subparagraph B.(10) below, and the costs incurred by Landlord, during the Extended Terms only, in making capital improvements to the Leased Premises, the Building or the Project so as to comply with the requirements of Section 15.02.

Operating Expenses shall be reduced by the amounts of any reimbursement, refund or credit received or receivable by Landlord with respect to any item of Operating Expenses. If any such reimbursement, refund or credit is received or receivable by Landlord in a later Operating Expense Escalation Year, it shall be applied against the Operating Expenses for such later Operating Expense Escalation Year; and, if the Term has expired, Tenant's Share of such item shall be promptly refunded by Landlord to Tenant.

B. ITEMS EXCLUDED FROM OPERATING EXPENSES:

(1) Intentionally deleted

(2) the cost of installing, operating and maintaining any specialty service, such as an observatory, broadcasting facility, luncheon club, retail store, sundry shop, newsstand, concession, or athletic or recreational club;

(3) the cost of correcting defects in construction and removal of asbestos-containing material;

(4) salaries of Landlord's officers and partners, its Building engineer and manager and its headquarters staff;

(5) Intentionally deleted

(6) Intentionally deleted

(7) the cost of any items for which Landlord is reimbursed by insurance proceeds, condemnation awards, or otherwise;

(8) the cost of any additions to the Project, or Operating Expenses generated by such additions, after the date of this Lease;

(9) the cost of any repairs, alterations, additions, changes, replacements and the like which under generally accepted accounting principles and practices are properly classified as capital expenditures;

(10) the cost of any repair made in accordance with Articles Ten and Twelve of this Lease entitled "Fire and Other Casualty - Insurance" and "Condemnation", except to the extent such cost, not to exceed Ten Thousand Dollars (\$10,000.) in any one calendar year, is not covered due to deductible amounts under insurance Landlord is required to carry pursuant to this Lease;

(11) Intentionally deleted

(12) interest and principal payments on any debt, depreciation, and rental under any ground lease or other underlying lease;

(13) Intentionally deleted

(14) any advertising expenses;

(15) any costs representing an amount paid to a Related or Affiliated Person of Landlord which is in excess of the amount which would have been paid in the absence of such relationship;

(16) payments for rented equipment, the cost of which equipment would constitute a capital expenditure if the equipment were purchased;

(17) any expenses for repairs or maintenance which are covered by warranties, guarantees or service contract (excluding any mandatory deductibles);

(18) legal expenses arising out of the construction of the Project or the enforcement of the provisions of this Lease;

(19) new items not included in the Operating Expense Base Year, subject to Paragraph A, subparagraphs (12) above;

(20) capital improvements to the Leased Premises, the Building or the Project which Landlord makes during the Initial Term in order to comply with the requirements of Section 15.02.

(b) The words "Operating Expense Base Year" shall mean calendar year 1994 for the Initial Term and the first full calendar year of each Extended Term.

(c) The words "Operating Expense Escalation Year" shall mean each calendar year, commencing with the first full calendar year after the Operating Expense Base Year. Any increase of Operating Expenses for any calendar year during the term of this Lease shall

be apportioned so that Tenant shall pay Tenant's Share of only that portion of the increase for such year as falls within the Term.

(d) Intentionally deleted

Section 3.05 REAL ESTATE TAXES.

(a) Landlord shall pay when due all real estate taxes, assessments and other governmental charges which shall be levied or assessed or which become liens upon the Project (hereinafter called "Real Estate Taxes"). Tenant shall pay Landlord, as Additional Rent, Tenant's Share of the amount by which the Real Estate Taxes for each Real Estate Tax Escalation Year exceed the Real Estate Taxes for the Real Estate Tax Base Year.

(b) Real Estate Taxes shall not include (1) income tax, tax on rents or rentals, excess profits or revenue tax, excise tax or inheritance tax, gift tax, gains tax, franchise tax, corporation tax, capital levy transfer, estate, succession or other similar tax or charge that may be payable by or chargeable to Landlord under any present or future Laws; (2) increases in assessments caused by Landlord's sale of all or any part of the Project or an interest therein or Landlord's refinancing of all or any part of the Project, any of which occurs during the Initial Term; (3) interest or penalties imposed upon Landlord for late payment of Real Estate Taxes; (4) special assessments ant Real Estate Taxes resulting from the expansion or renovation of the Project or from a tenant's improvements not approved by Tenant, and (5) Real Estate Taxes and assessments for a facility (such as a garage) and land used in connection therewith, including retail and other non-office space in the Project, for which a fee or rent is charged.

(c) The words "Real Estate Tax Base Year" shall mean calendar year 1994 or the first year in which the Building is assessed as fully completed, including the construction and completion of the Base Building and Tenant's Improvements (collectively referred to as the "Landlord's Work" in Exhibit C), whichever occurs later.

(d) The words "Real Estate Tax Escalation Year" shall mean each year after the Real Estate Tax Base Year.

(e) If the Project is not taxed as a separate and independent tax lot, Landlord shall make application showing authorities to obtain a separate and independent assessment thereof. If the taxing authorities refuse to do so, the taxes assessed against the said tax lot shall be equitably apportioned.

(f) The increase in Real Estate Taxes that Tenant is obligated to pay hereunder shall be the amount of Real Estate Taxes finally determined to be legally payable by legal proceedings or

otherwise and paid by Landlord. If allowed by law, Landlord shall pay Real Estate Taxes in installments.

(g) Any incentives or abatement of Real Estate Taxes which are received by or credited to Landlord shall be passed through to Tenant.

#### Section 3.06 COMPUTATION AND BILLING.

##### (a) ESTIMATED PAYMENTS.

(1) Landlord and Tenant agree that Operating Expenses for the Operating Expense Base Year is included in the Annual Rent. At least thirty (30) days prior to the beginning of the second calendar year and each calendar year thereafter (including partial years) during the Term, Landlord shall furnish Tenant with a statement setting forth the Landlord's estimate of the Operating Expenses for such calendar year. If, in the statement, the Landlord estimates that the sum of Operating Expenses then constituting a component of the Annual Rent (the "component") and estimated Operating Expenses then being paid by Tenant will not be sufficient to cover the Operating Expenses for such second or following year, Tenant shall pay on the first day of each calendar month during such second or following calendar year an amount equal to one-twelfth (1/12th) of the estimated increase in Operating Expenses shown on the statement such that the sum of the component and the estimated increase in Operating Expenses will be sufficient to cover Operating Expenses for such second or following calendar year.

(2) Landlord may not always be able to comply with paragraph (1) and furnish a new statement prior to the year covered by the new statement. If Landlord shall furnish the statement after the beginning of the calendar year covered by the statement then, until the first day of the first month which is at least thirty (30) days following the date Tenant receives that statement (the "payment date"), Tenant shall continue to pay Landlord the same monthly sum, if any, then being paid by Tenant pursuant to this Section. Landlord shall notify Tenant in the new statement whether the sum of the component and estimated Operating Expenses paid by Tenant during the period between the end of the prior calendar year and date of the new statement is greater or less than the component and estimated monthly payments to be made in accordance with the new statement. If there is a deficiency, Tenant shall pay the lump sum amount thereof to Landlord on the payment date. If there was an overpayment, Landlord shall promptly refund the same to Tenant. On the payment date, and on the first day of each calendar month thereafter until the payment date with respect to the next statement, Tenant shall pay Landlord an amount equal to one-twelfth (1/12th) of the component (or downward adjustment thereof, if appropriate) and the estimated increase in Operating Expenses shown on the statement.

(3) If Tenant has made an overpayment by more than four percent (4%), the refund to Tenant shall include interest on the amount of the refund at the Interest Rate, determined as of the date of cash overpayment and accruing from the date of each overpayment to the date of refund by the Landlord.

(b) ACTUAL EXPENSES. Within one hundred twenty (120) days after the last day of the second calendar year and each calendar year thereafter, Landlord shall furnish Tenant a statement for the prior calendar year setting forth the actual Operating Expenses for the prior calendar year, copies of any and all Real Estate Tax bills with respect to the Project for that year and such other data with respect to the statement as Tenant may reasonably request. Tenant's request may be made after Tenant is required to make a payment under this paragraph, in which event Tenant shall make payment without prejudice to Tenant's rights under Section 3.06(d). Within thirty (30) days after receiving Landlord's statement, copies of Real Estate Tax bills for such year and such other data, (A) Tenant shall pay Landlord the amount by which the actual Operating Expenses for the year covered by the statement exceeds the aggregate of the component and estimated monthly installments of Operating Expenses actually paid by Tenant during such year, or (B) if Tenant overpaid, Landlord shall promptly refund the overpayment to Tenant; provided that if Tenant has overpaid by more than four percent (4%), the refund to Tenant shall include interest on the amount of the overpayment at the Interest Rate, determined as of the date of each overpayment and accruing from the date of each overpayment to the date of refund by the Landlord.

(c) If the Term Commencement Date occurs on a date other than the first day of a calendar month, or the Term expires on a date prior to the end of a calendar month, the monthly installments payable under paragraphs (a) and (b) for the fractional months shall be appropriately prorated based upon a thirty (30) day month

(d) Tenant may, at Tenant's sole cost and expense, audit Landlord's books and records relating to the computation of Operating Expenses for any year or portion thereof that falls within the Term and not more than once within twenty-four (24) months after the later of the expiration or earlier termination of the Term or the date Tenant receives Landlord's statement pursuant to this Section with respect to the last year of the Term (including a partial year). Landlord agrees that it will make available to Tenant and its designated auditors', at Landlord's office during business hours, all appropriate records or copies thereof required for the performance of the audit Tenant's access to these books and records may be restricted to periods of time during which Landlord does not reasonably require access to them in connection with the operation or management of the Project. If any audit reveals that the Operating Expenses for a calendar year or portion thereof have been incorrectly computed, and if Landlord agrees with such audit, Landlord and Tenant shall make appropriate



reconciliation payments, in cash, between themselves based on the correct amount of Operating Expenses for such period. If Tenant disputes any portion of Landlord's statement, Tenant shall be entitled to have a firm of independent certified public accountants (or other representatives or consultants experienced in commercial lease accounting) audit Landlord's books, receipts, records and statement with respect to cash item included in Landlord's Statement. The results of any such audit shall be binding upon Landlord and Tenant, provided that the parties may elect not to be bound by the results of any audit rendered by parties other than certified public accountants unless and until the results of such audit are reviewed and verified by a certified public accountant reasonably approved by landlord and Tenant, or either party may resolve the matter by arbitration as provided in Article Thirty-Eight. If the parties do not resolve the matter with arbitration and agree to be bound by such audit and such audit reveals that the amounts in Landlord's Statement billed to Tenant by Landlord vary by more than two percent (2%) from the actual operating expenses and/or real estate taxes for such period as determined by the audit, Landlord shall reimburse Tenant on demand for all costs reasonably incurred by Tenant in connection with such audit. Pending resolution of any dispute, Tenant may withhold payment of the amount in dispute.

(e) If Tenant has not received Landlord's Statement by the end of twelve (12) months following the year (whether calendar or fiscal) in which the Operating Expenses or Real Estate Taxes are payable by Landlord, Landlord agrees that landlord has waived its claim against Tenant for Tenant's Share of any increase in Operating Expenses and Real Estate Taxes for that year.

(f) This Article shall survive the expiration or earlier termination of the Term.

#### Section 3.07 TAX CONTEST.

(a) In consideration of Tenant's undertaking to reimburse Landlord for an increase in Real Estate Taxes, Tenant shall have the right, by appropriate proceedings, to protest any assessment or reassessment or any special assessment, or any change in the tax rate, or the validity of any of the above.

(b) If Landlord shall receive a reduction or refund for any year for which Tenant shall be obligated to pay or shall have paid an increase in Real Estate Taxes, the amount of such reduction or refund shall be subtracted from the Real Estate Taxes payable or paid by Landlord for the tax year to which the reduction or refund applies and proper reimbursement shall be made by Landlord to Tenant promptly after Landlord receives or is credited with such refund or reduction. Landlord agrees to keep Tenant apprised of all tax protest filings and proceedings undertaken by Landlord or others to obtain a tax reduction or refund for the Project.

Landlord may deduct from the total refund any reasonable attorneys' fees and other reasonable expenses incurred by Landlord therefor.

#### ARTICLE FOUR

##### PREPARATION FOR OCCUPANCY

Section 4.01 CONSTRUCTION. Landlord shall promptly commence, and shall pursue with due diligence until completion, the construction of the Landlord's Work in accordance with the provisions of this Lease, including EXHIBIT C. Landlord shall pay for all of the Work excepting only for Tenant's Work, which shall be paid by Tenant, in accordance with EXHIBIT C.

Section 4.02 TERM COMMENCEMENT DATE. The words "Term Commencement Date" shall mean the twenty-second (22nd) day after the date the Landlord's Work is Substantially Completed and Landlord delivers possession of the Leased Premises to Tenant, free of all tenants and occupants; provided, however, the Term Commencement Date shall in no event occur prior to the target date set forth in Section 2.01 without Tenant's prior written consent unless Tenant occupies the Leased Premises after expiration of the period specified in Section 4.04. The words "Substantially Completed" shall mean the date when:

(1) the Landlord's Work has been completed (except for Punch List Items) in accordance with the provisions of this Lease; and

(2) all of the Building's sanitary, electrical, heating, ventilating, air conditioning and other Building Service Systems, the Leased Premises Service Systems, the Building Parking Area, and the exterior landscaping have each been completed (except for Punch List Items) in accordance with the provisions of this Lease and are in good order and operating condition; and

(3) Landlord has obtained a certificate of occupancy or comparable municipal authorization (temporary or permanent) permitting Tenant's use and enjoyment of the Leased Premises, Building Facilities and Building Parking Area for the purposes authorized by the provisions of this Lease; and

(4) the Building lobbies and exterior and main entrance of the Building, as well as the sidewalks, streets and plazas adjacent thereto shall be free of scaffolding, hoists, construction equipment and materials and shall be in a safe condition; and

(5) Landlord has delivered to Tenant written certification from Landlord's architect that Landlord has met its obligations under clauses (1) through (4) of this Section; and

(6) Tenant has had a minimum period of twenty-one (21) calendar days to allow for move-in of furniture, fixtures and equipment prior to the Term Commencement Date as specified in Section 4.04.

Section 4.03 PUNCH LIST ITEMS.

(a) Within thirty (30) days after the date the Work is Substantially Completed in accordance with Section 4.02, Landlord's architect shall deliver to Tenant for Tenant's approval a current list ("Punch List") of Punch List Items for the Project that Landlord is obligated by the provisions of this Lease to complete. Tenant shall return the Punch List to Landlord within ten (10) days after receipt thereof. Punch List Items shall be completed by Landlord within thirty (30) days after the date the Work is Substantially Completed, with the exception of items on back order in which case Landlord shall use its best efforts to expedite delivery of such items. If Landlord has obtained a temporary certificate of occupancy Landlord shall, with due diligence, complete the remaining items of Work required to obtain, and shall thereupon obtain, a permanent certificate of occupancy for the Project as required by Laws.

(b) The words "Punch List Items" shall mean details of construction, decoration and mechanical and electrical adjustments which, in the aggregate, are minor in character and do not materially interfere with Tenant's use or enjoyment of the Project in accordance with the provisions of this Lease.

Section 4.04 TENANT'S RIGHTS OF ACCESS.

(a) In addition to construction rights granted to Tenant in EXHIBIT C, Tenant shall have at least twenty-one (21) days prior to the Term Commencement Date to install its equipment and furnishings and to perform such other related activity in the Leased Premises preparatory to its occupancy. Landlord shall notify Tenant at least thirty (30) days in advance of the anticipated date the Work will be Substantially Completed to permit Tenant entry into the Leased Premises for the purposes stated above.

(b) Tenant's activity within the Leased Premises prior to the Term Commencement Date or Tenant's acceptance of possession of the Leased Premises shall not be deemed a waiver of any of the obligations under this Article to be performed by Landlord, including the completion of Punch List Items. However, after entering into possession of any part of the Leased Premises Tenant shall promptly bring to Landlord's attention any deficiencies in construction which come to Tenant's attention, and Landlord shall promptly correct the same at Landlord's expense.

Tenant's activity within the Leased Premises prior to the Term Commencement Date shall be subject to schedules imposed by

landlord's contractor and shall be accomplished in a manner which does not delay, interfere with or damage the work of Landlord's contractor. Tenant's activities in the Leased Premises shall also be subject to the requirements of EXHIBIT C.

Section 4.05 RESTRICTION ON TRANSFER OF PROJECT. Landlord agrees that it will not assign, pledge, mortgage, transfer or sell its rights or interests in this Lease or in the Project (except an assignment to an institutional lender to fund construction of the Project) or be relieved of its obligations under this Lease until it has complied with the provisions of this Article and has completed the Work, including all Punch List Items.

Section 4.06 TENANT'S RIGHTS.

(a) Notwithstanding anything in this Lease to the contrary, if for any reason other than delays caused by Tenant which materially and adversely interfere with Landlord's ability to comply with Section 4.02, or Excusable Delays as defined in Article 39, Landlord has not Substantially Completed Landlord's Work and delivered possession of the Leased Premises as required by the provisions of this Lease to Tenant on or before January 15, 1994, Tenant may deletion, by written notice to Landlord, declare an event of default, complete Landlord's Work, and deduct the cost thereof from the Annual Rent and Additional Rent due and to become due under this Lease.

(b) If Tenant does not elect to complete Landlord's Work and deduct the cost thereof as set forth above, and in addition to and not in limitation of Tenant's right to terminate this Lease as set forth in this Section 4.06, Landlord shall pay to Tenant, as liquidated damages, and not a penalty, and as Tenant's sole remedy, except for Tenant's right to terminate as set forth herein, the amount of One Thousand Six Hundred Sixty-Six Dollars (\$1,666.) per day, commencing January 16, 1994 and for each day thereafter until the date either: (i) the Initial Term commences or (ii) Tenant terminates this Lease. The parties agree that any failure by Landlord to deliver possession to Tenant of the Leased Premises as required by the provisions of this Lease on or before January 15, 1994 will cause serious and substantial damage to Tenant, and the aforementioned liquidated damages have been agreed upon as a result of the difficulty of accurately proving loss and the nonfeasibility of Tenant's obtaining an adequate remedy. In no event shall the amount of liquidated damages payable by Landlord to Tenant exceed Two Hundred Fifty Thousand Dollars (\$250,000.).

(c) If the Term Commencement Date does not occur on or before May 15, 1994 due to delays other than those caused by Tenant which materially and adversely interfere with Landlord's ability to comply with Section 4.02 or Excusable Delays as defined in Article 39, then Tenant shall have the right to terminate the Lease effective as of the date of such notice. In the event of such

termination, Landlord shall immediately return to Tenant all sums paid by Tenant pursuant to Section 3.01.

(d) If the Term Commencement Date does not occur on or before September 15, 1994 due to Excusable Delays as defined in Article 39, then Tenant shall have the right to terminate the Lease effective as of the date of such notice. In the event of such termination, landlord shall immediately return to Tenant all sums paid by Tenant pursuant to Section 3.01.

#### ARTICLE FIVE

##### LANDLORD'S TITLE AND ALLOWABLE USE

###### Section 5.01 LANDLORD'S REPRESENTATIONS REGARDING TITLE AND USE.

Landlord represents and warrants as a condition of this Lease that it possesses good marketable fee title to the Project, as "marketable" is described in, and subject to the exceptions set forth in, Landlord's owner's policy of title insurance, a copy of which has been provided to Tenant under Section 5.03; that it is authorized to make this Lease for the Term that the provisions of this Lease do not or will not conflict with or violate the provisions of existing or future agreements between Landlord and third parties; that the certificate of occupancy for the Project allows, or not later than the Term Commencement Date will allow Tenant to use and enjoy the Leased Premises and Common Building Facilities for the purposes set forth in this Lease; that the Leased Premises and Common Building Facilities and the uses thereof generally for the use permitted in this Lease are, or on the Term Commencement Date will be in conforming with all applicable Laws, including all construction, environmental, asbestos, health and safety Laws and Laws covering the disabled and that Landlord will deliver the Leased Premises and Tenant's parking spaces to Tenant, free of all tenants and occupants and claims thereto. All representations regarding compliance of the Project with environmental and asbestos laws are subject to and based upon the information contained in environmental reports prepared for Landlord copies of which reports have been made available to Tenant for its review, as well as any reports independently prepared for Tenant. In addition, Tenant acknowledges the potential presence of ground water contamination related to the aquifer under the Project. The foregoing acknowledgment and information received by Tenant shall not limit landlord's liability under all applicable Laws. In addition, any representation regarding the compliance of the Leased Premised with health and safety, zoning, occupancy, fire and other Laws relate only to the purpose generally permitted under the Lease.

Section 5.02 LANDLORD'S REPRESENTATIONS REGARDING LAWSUITS. Landlord represents and warrants that as of the date hereof there are no pending or, to the best of its knowledge, threatened claims,

causes of action, lawsuits, or judgments against the Project or Landlord which may affect title or Tenant's use of the Project as herein provided. If any such lawsuit is filed or threatened, Landlord shall notify Tenant within fifteen (15) days of Landlord's knowledge thereof.

Section 5.03 TITLE MATTERS. Landlord has delivered to Tenant a copy of Landlord's title insurance policy for the Project and represents and warrants that the policy is a true and complete copy of the original; that there have been no changes as of the date of this Lease to any matters set forth in such policy, and that on the date of this Lease the policy is, and will continue during the Term to be in full force and effect. A list of all encumbrances, restrictions, agreements, covenants, declarations, lis pendens, mechanics' liens, and other matters affecting title, whether of record or known by Landlord on the date hereof to exist or which Landlord anticipates will exist or will be recorded within six (6) months from the date hereof (including all mortgages and superior leasehold interests), are listed on EXHIBIT E.

#### ARTICLE SIX

##### SERVICES

Section 6.01 SERVICES PROVIDED BY LANDLORD. Landlord shall, at its expense and subject to Section 3.04, furnish to Tenant the following services, supplies and facilities:

- (1) Access to the Leased Premises twenty-four (24) hours a day, seven (7) days a week.
- (2) Intentionally deleted
- (3) Maintenance and repair of the heat, ventilation and air conditioning ("HVAC") in accordance with EXHIBIT C.
- (4) Landscaping and parking lot maintenance, in accordance with the specifications set forth in EXHIBIT B.
- (5) Hot and cold running potable water for Tenant's purposes (at Tenant's expense).
- (6) Periodic roof inspection and cleaning of roof drains and downspouts;
- (7) Electricity for lighting and for the operation of Tenant's office machines, appliances and equipment, and for the Common Building Facilities and Building Parking Area (at Tenant's expense).

(8) Providing, installing and replacing bulbs and ballasts in the Building Parking Area.

(9) Removing of ice and snow from the Building Parking Area.

(10) Vermin extermination and repair and replacing any item in the Building damaged by vermin.

(11) Intentionally deleted

(12) Property management and maintenance staff. Any management agreement shall provide that the managing agent shall operate the Building in good condition and in the most cost-effective manner possible, so as to minimize the Operating Expenses, consistent with providing good quality service.

#### Section 6.02 LANDLORD'S FAILURE TO PROVIDE SERVICES.

(a) If after notice to Landlord of default in furnishing or paying for any utilities, services or facilities to be furnished to Tenant hereunder, Landlord fails or refuses to cure such default within a reasonable time specified by Tenant in the notice, Tenant may declare an event of default and cure such default. Landlord shall reimburse Tenant within thirty (30) days after Landlord receives Tenant's invoice.

(a.i) If Landlord disputes any default declared by Tenant pursuant to this Article or the reasonableness of time granted to cure the default, or the amount of costs and expenses incurred by Tenant to cure Landlord's default or the reasonableness of such amount, Landlord may submit the disputed matter to arbitration in accordance with Article 38 within ten (10) days after receiving Tenant's notice or invoice.

(a.ii) If Landlord fails to reimburse Tenant within the time specified in (a) above and Landlord does not dispute any such default declared by Tenant, Tenant may, by notice to Landlord given within ten (10) days following the end of the thirty (30) day period specified in (a) above, submit the matter to arbitration in accordance with Article Thirty-Eight.

(a.iii) If judgment is in favor of the Tenant in the arbitration, Tenant shall have the right to deduct any costs and expenses incurred by Tenant to cure Landlord's default from each monthly installment of Annual Rent due or to become due in an amount not to exceed ten percent (10%) of such installment, until Tenant has been paid in full.

(b) In the event that Tenant is prevented from using and does not use the Premises or any portion thereof, for five (5) consecutive business days commencing from the date Tenant gives Landlord written notice as a result of (i) the lack of services to

be provided by Landlord as set forth in Section 6.01 of this due to Landlord's breach of its obligations under this Lease or (ii) any inability of Tenant to gain reasonable access to: the Premises due to Landlord's breach of its obligations under this Lease (other than in the event of damage or destruction, in which event the provisions of Section 10.01 of this Lease shall control), then the Annual Rent and Additional Rent shall be abated or reduced, as the case may be, during the period during which Tenant continues to be so prevented from using the Leased Premises, or a portion thereof, in the proportion that the rentable area of the portion of the Leased Premises that Tenant is prevented from using and does not use, bears to the total rentable area of the Leased Premises. In addition, in the event that, as a result of any failure to provide the services described in this Lease or any inability of Tenant to gain reasonable access to the Premises due Landlord's breach of its obligations under this Lease, all or part of the Premises (the "Affected Area") is rendered untenable for a period of more than Two Hundred Twenty-Five (225) days, Tenant shall have the right to terminate this Lease with respect to the Affected Area, or in the event that the Affected Area constitutes at least thirty percent (30%) of the Leased Premises and constitutes a space which is necessary for the operation of Tenant's business or if access to the Leased Premises is prevented for such period with respect to the entire Leased Premises. The Two Hundred Twenty-Five (225) day period referred to in the preceding sentence shall be extended, up to a maximum of sixty (60) additional days, for each day restoration of the services to the Premises sufficient to make the Premises tenable, is delayed due to force majeure delays. It is understood and agreed that Tenant shall not be entitled to the abatement rights set forth in this paragraph if the failure to provide services or the inability to gain access to the Leased Premises results from Tenant's negligence or intentional misconduct.

(c) The remedies set forth in this Article shall be in addition to other remedies granted to Tenant elsewhere in this Lease or at law or in equity and shall not affect any claim for actual or constructive eviction or other claim for damages or relief to which Tenant may be entitled.

(d) If Landlord disputes any default declared by Tenant pursuant to this Article or the reasonableness of time granted to cure the default, landlord may submit the disputed matter to arbitration in accordance with Article Thirty-Eight within ten (10) days after receiving Tenant's notice or invoice.

#### ARTICLE SEVEN

##### PARKING

A-21



Landlord shall at its expense, provide Tenant with a minimum of two hundred fifty-two (252) parking spaces (which number Landlord represents complies with the city of Burbank's requirements for Tenant's use of the Leased Premises) within the Building Parking Area for Tenant's use. The Building Parking Area is shown on EXHIBIT A. The Building Parking Area shall be available for use twenty-four (24) hours a day, every day of the year during the Term and shall be illuminated when necessary to maintain a safe environment. Further, Landlord shall keep and maintain the Building Parking Area in a clean, safe and good condition.

#### ARTICLE EIGHT

##### USE OF LEASED PREMISES

Section 8.01 GENERAL USES. Tenant is in the business of developing and producing computer software. Tenant shall have the right to use the Leased Premises for executive and administrative offices; sale, display, storage, service, repair and use of Tenant's products and equipment; engineering; education and training of Tenant's customers and employees, and all other uses incidental and related thereto, and for other lawful business and commercial purposes consistent with a quality office environment, and for no other purpose.

Section 8.01(a). Other than those amounts used in an office environment in the normal course of conducting its business Tenant shall not cause, or allow anyone else to cause, any Hazardous Materials to be used, generated, stored, or disposed of on or about the Leased Premises, the Building or the Project without the prior written consent of Landlord, which consent may be withheld in the sole discretion of Landlord, and which consent may be revoked at any time. As herein used, Hazardous Materials shall include, but not be limited to, those materials identified in Sections 66680 through 66685 of Title 22 of the California Code of Regulations, Division 4, Chapter 30, as amended from time to time, and those substances defined as "hazardous substances", "hazardous materials", "hazardous wastes", "chemicals known to cause cancer or reproductive toxicity", "radioactive materials", or other similar designations in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 et seq., 33 U.S.C. Section 1251 et seq., 42 U.S.C. Section 300(f) et seq., 42 U.S.C. 7401 et seq., California Health and Safety Code Section 252495 et seq., California Water Code Section 13000 et seq., California Health and Safety Code Section 39000 et seq. and any other statutes, ordinances, rules, regulations, and precautions adopted pursuant to the preceding laws or other similar laws, regulations and guidelines now or hereafter in effect.

Section 8.02 SPECIAL USES. Landlord shall be responsible for obtaining permits required for any Tenant's uses as contemplated by the description of Landlord's Work in Exhibit C which will be required for Tenant's occupancy of the Building. If, thereafter, Tenant shall institute a special use of the Leased Premises which requires an amendment to the existing certificate of occupancy, Tenant shall be responsible for obtaining the same as well as any other governmental permit, approval or license required by applicable Laws. Landlord shall cooperate with Tenant and shall execute all applications, authorizations and other instruments reasonably required to enable Tenant to fulfill its responsibilities under this Section.

#### ARTICLE NINE

##### REPAIRS AND MAINTENANCE

Section 9.01 LANDLORD'S REPAIRS. Landlord shall perform all maintenance and perform all repairs, restoration work and replacements to the Project not specifically imposed upon Tenant by the provisions hereof. Without limiting the generality of the foregoing sentence or the following, Landlord shall maintain, repair and replace, as necessary, and keep in good order, safe and clean condition (1) the unexposed electrical, excluding data and telephone cabling, the plumbing, sprinkler, HVAC and electrical and mechanical lines and equipment associated therewith, boilers, broken or damaged glass and damage by vandals; (2) utility and trunk lines, sewage systems, tanks and transformers and the interior and exterior structure of the Building, including the roof, exterior walls, bearing walls, support beams, floor slabs, foundation, support columns, window and window frames and all latent defects in the Project (excluding defects relating to alterations or improvements installed by Tenant); (3) improvements to the Land, including ditches, shrubbery, landscaping and fencing, and (4) loading areas, the Building Parking Area and access ways therefor, and all walks and driveways of the Project. Further, Landlord shall perform all repairs and restoration work required by Article Ten, "Fire and Other Casualty - Insurance" and Article Twelve, "Condemnation."

Section 9.02 TENANT'S REPAIRS. At its expense, Tenant shall perform all repairs and replacements to the Project which are specifically agreed upon in this Lease to be Tenant's obligations. Without limitation, Tenant shall not be liable for repairs or replacements necessitated by ordinary wear and tear, damage by fire or other casualty and damage caused by Landlord or by others for whom Tenant is not responsible.

Section 9.03 TENANT'S MAINTENANCE. Tenant shall, at its own expense, maintain the interior portion of the Leased Premises in good condition and repair (including the interior walls, ceilings, floor coverings, outlets and bulbs, but excluding all

maintenance and repairs which Landlord is required to perform pursuant to Section 9.01). If after written notice by Landlord, Tenant fails or refuses to perform any such maintenance work which it is required to perform hereunder within a reasonable time specified by landlord in its notice (which shall in no event be less than ten business days), Landlord may, but shall not be required to, enter the Leased Premises and put them in good condition, and Landlord's costs thereof shall be payable by Tenant within thirty (30) days after Tenant receives Landlord's invoice. Tenant shall be responsible for the provision, at its expense, of appropriate janitorial service for the Leased Premises.

#### Section 9.04 LANDLORD'S FAILURE TO MAKE REPAIRS.

(a) If after notice by Tenant, Landlord fails or refuses to perform any repairs, restoration work, or replacements which it is required to perform under Section 9.01 or elsewhere in this Lease within a reasonable time specified by Tenant in its notice, Tenant may declare an event of default and cure such default. Landlord shall reimburse Tenant within thirty (30) days after Landlord receives Tenant's invoice.

(a.i) If Landlord disputes any default declared by Tenant pursuant to this Article or the reasonableness of time granted to cure the default, or the amount of costs and expenses incurred by Tenant to cure Landlord's default or the reasonableness of such amount, Landlord may submit the disputed matter to arbitration in accordance with Article 38 within ten (10) days after receiving Tenant's notice or invoice.

(a.ii) If Landlord fails to reimburse Tenant within the time specified in (a) above and Landlord does not dispute any such default declared by Tenant, Tenant may submit the matter to arbitration in accordance with Article 38.

(a.iii) If judgment is in favor of the Tenant in the arbitration, Tenant shall have the right to deduct any costs and expenses incurred by Tenant to cure Landlord's default from each monthly installment of Annual Rent due or to become due in an amount not to exceed ten percent (10%) of such installment, until Tenant has been paid in full.

(b) The remedies set forth in this Article shall be in addition to other remedies granted to Tenant elsewhere in this Lease or at law or in equity, and shall not affect any claim for actual or constructive eviction or other claim for damages or relief to which Tenant may be entitled.

(c) If Landlord disputes any default declared by Tenant pursuant to this Article or the reasonableness of time granted to cure the default, or the amount of costs and expenses incurred by Tenant to cure Landlord's default, Landlord may submit the disputed

matter to arbitration in accordance with Article Thirty-Eight within ten (10) days after receiving Tenant's notice or invoice.

Section 9.05 EMERGENCY REPAIRS. If during the Term repairs, restoration work or replacements become necessary because of an emergency and the provisions hereof require the Landlord to make these repairs and replacements Tenant may perform them if, in Tenant's opinion, they are necessary to preserve the Leased Premises, or the safety or health of the occupants in the Leased Premises, or Tenant's Property, or are required by the Laws; provided, however, that Tenant shall first make a reasonable effort to inform Landlord before making them.

#### ARTICLE TEN

##### FIRE AND OTHER CASUALTY - INSURANCE

###### Section 10.01 DAMAGE OR DESTRUCTION.

(a) If any portion of the Project is damaged by fire, earthquake, flood or other casualty, or by any other cause of any kind or nature (the "Damaged Property") and the Damaged Property can, in the opinion of Landlord's architect reasonably exercised, be repaired within two hundred twenty-five (225) days from the date of the damage, Landlord shall proceed immediately to make such repairs as required by paragraph (c). This Lease shall not terminate, but Tenant shall be entitled to a pro rata abatement of Annual Rent and Additional Rent payable during the period commencing on the date of the damage and ending on the date the Damaged Property is repaired as aforesaid and the Leased Premises are delivered to Tenant. The extent of rent abatement shall be based upon the portion of the Leased Premises rendered untenable, unfit or inaccessible for use by Tenant for the purposes stated in this Lease during such period. When required by this Article, the architect's opinion shall be delivered to Tenant within thirty (30) days from the date of the damage. The architect's opinion shall be made in good faith after a thorough investigation of the facts required to make an informed judgment. The architect's shall consider and include as part of his evaluation the period of time necessary to obtain the required approvals of the mortgagee/insurer, and municipal authorities, to order and obtain materials, and to engage contractors.

(b) If (1) in the opinion of Landlord's architect reasonably exercised, damage to the Damaged Property cannot be repaired within two hundred twenty-five (225) days from the date of the damage, or (2) Landlord commences and proceeds with due diligence but fails to complete the repair of the Damaged Property as required by paragraph (c) within the two hundred twenty-five (225) day period, subject to an extension of time allowed for an Excusable Delay, or (3) the Term will expire within one (1) year from the date of the

damage and Tenant fails to extend the Term in accordance with any right granted in Section 2.02, either party may terminate this Lease as follows: for the reason stated in subparagraph (1), by notice to the other within twenty (20) days from the date on which the architect's opinion is delivered to Tenant; (2) for the reason stated in subparagraph (2), by such notice within twenty (20) days from the end of the two hundred twenty-five (225) day Period, as it may have been extended by an Excusable Delay, and (3) for the reason stated in subparagraph (3), by such notice within one hundred (100) days from the date of the damage. Upon termination, Annual Rent and Additional Rent shall be apportioned as of the date of the damage and all prepaid Annual Rent and Additional Rent shall be repaid.

(c) If neither party exercises its option to terminate hereunder Landlord shall, with due diligence, repair the Damaged Property as a complete architectural unit of substantially the same usefulness, design and construction existing immediately prior to the damage; provided, that, with respect to Tenant's Work as outlined in Exhibit C (as they may be changed by Tenant) Tenant shall pay sums which are not covered by insurance Landlord is required to maintain under this Lease (other than deductibles). The parties shall in good faith, follow the agreement and procedures set forth in EXHIBIT C. Tenant shall be entitled to a pro rata abatement of Annual Rent and Additional Rent in the manner and to the extent provided in paragraph (a).

(d) If by operation of this Article Landlord undertakes but fails to complete repairs of the Damaged Property as required by the provisions of this Article and deliver the Leased Premises to Tenant within two hundred fifty-five (255) days from the date of the damage, for any reason other than a material and adverse delay caused by Tenant, Tenant may exercise its rights under Section 24.03, failing which either party may terminate this Lease by notice to the other within two hundred seventy-five (275) days from the date of the damage. If either party elects to terminate, this Lease and the Term shall end on the date specified in the notice and Annual Rent and Additional Rent shall be apportioned as of the date of the damage and all prepaid Annual Rent and Additional Rent shall be repaid.

(e) The word "repair" shall include rebuilding, replacing, and restoring the Damaged Property.

#### Section 10.02 CASUALTY INSURANCE.

(a) From and after the date hereof, Landlord shall maintain a policy of insurance covering the Project (including Tenant's Improvements, to the extent not paid for by Tenant, and Landlord's Property located within the Project) against loss, damage, or destruction caused by boiler explosion, machine breakdown, fire and the perils specified in the standard extended coverage endorsement,

by vandalism and malicious mischief, and by sprinkler, gas, water, steam and sewer leakage. The amount of insurance shall equal at least ninety percent (90%) of the replacement cost of the Project, excluding the Land but including Tenant's Improvements as aforesaid and Landlord's Property. Landlord represents and warrants that this insurance policy is now, and during the Term will continue to be in full force and effect. The words "Landlord's Property" shall mean trade and other fixtures, machinery, equipment, tools, furniture and other tangible personal property owned by Landlord.

(b) Landlord and Tenant each hereby waives its respective right of recovery against the other and each releases the other from any claim arising out of loss, damage or destruction to the Project, and contents thereon or therein, or any other property of the waiving party whether or not such loss, damage or destruction may be attributable to the fault or negligence of either party or its respective agents, invitees, contractors or employees. Each casualty insurance policy shall include a waiver of the insurer's rights of subrogation against the party hereto who is not an insured under said policy. Each party shall look solely to the proceeds of its respective casualty insurance policy (and to its own funds to the extent it is self-insured) to compensate it for any such loss, damage or destruction.

(c) Intentionally deleted

(d) So long as Tenant is International Business Machines Corporation or its wholly-owned subsidiary, Tenant shall have the right to self-insure through the use of deductibles or other prudent risk retention techniques. Tenant shall protect, defend, indemnify and hold Landlord harmless from and against all loss, cost, liability, expense or damage which Landlord would have been indemnified and protected against under the insurance policies Tenant is required to maintain as provided in paragraph (e) but which is not covered by insurance due to self-insurance by Tenant as provided in this paragraph (d). Tenant hereby waives any defense or defenses available to it with respect to the foregoing indemnity which would not be available to an insurer with respect to an insurance policy issued by such insurer consistent with the requirements of paragraph (e).

(e) If Tenant is not International Business Machines Corporation or its wholly-owned subsidiary and Tenant has subleased or assigned all or any part of the Leased Premises, Tenant shall obtain and maintain during the term of this Lease comprehensive general liability insurance with a combined single limit for personal injury and property damage in an amount not less than \$2,000,000, and employer's liability and workers' compensation insurance as required by law. Tenant's comprehensive general liability insurance policy shall be endorsed to provide that (1) it may not be cancelled or altered in such a manner as adversely to affect the coverage afforded thereby without 30 days' prior written

notice to Landlord, (2) Landlord is named as additional insured, (3) the insurer acknowledges acceptance of the mutual waiver of claims by Landlord and Tenant pursuant to Section 10.02(b), and (4) such insurance is primary with respect to Landlord and that any other insurance maintained by Landlord is excess and noncontributing with such insurance. Tenant shall also obtain and maintain insurance ("Personal Property Insurance") covering leasehold improvements paid for by Tenant and Tenant's personal property and fixtures from time to time in, on, or at the Leased Premises, in an amount not less than 90% of the full replacement cost, without deduction for depreciation, providing protection against events protected under "Fire and Extended Coverage", as well as against sprinkler damage, vandalism, and malicious mischief. Prior to the commencement of the Initial Term, Tenant shall deliver to Landlord a duplicate of such policy or a certificate thereof with endorsements, and at least 30 days prior to the expiration of such policy or any renewal thereof, Tenant shall deliver to Landlord a replacement or renewal binder, followed by a duplicate policy or certificate within a reasonable time thereafter. If Tenant fails to obtain such insurance or to furnish Landlord any such duplicate policy or certificates as herein required, Landlord may, after having first given Tenant written notice of such failure and thirty (30) days during which to cure such failure, procure and maintain such coverage and Tenant shall reimburse Landlord on demand as additional rent for any premium so paid by Landlord. Tenant shall have the right to provide all insurance coverage required herein to be provided by Tenant pursuant to blanket policies so long as such coverage is expressly afforded by such policies.

Prior to the commencement of any Extended Term, Landlord shall have the right to review and change the foregoing insurance requirements to ensure consistency with industry standard insurance requirements existing as of that date on comparable buildings located in the general vicinity for the Project.

#### ARTICLE ELEVEN

##### INDEMNIFICATION

Subject to the provisions of Section 10.02(b), Landlord and Tenant each agree to indemnify and save the other harmless from any and all claims for bodily injury (including death) or property damage made against one of the parties hereto if (1) arising from any breach or default by the other party hereto (including its agents, invitees, employees or contractors) in the performance of any covenant or agreement on its part to be performed pursuant to the provisions of this Lease, or (2) occurring within the Project limits and arising from the misconduct or negligence of the other party (including its agents, invitees, employees or contractors), or (3) arising out of a (i) representation in this Lease of the

other party which was intentionally false or misleading in any material respect when made, or (ii) material breach of any of the warranties made in this Lease by the other party. This indemnity shall include all court costs, reasonable attorneys' fees, expenses and liabilities incurred by the indemnified party against which the claim is made. If any action or proceeding is brought against either Landlord or Tenant by reason of any such claim, the indemnifying party agrees to defend the action or proceeding at its expense upon notice from the party to be indemnified.

## ARTICLE TWELVE

### CONDEMNATION

Section 12.01 TAKING - LEASE ENDS. If at any time during the Term the whole of the Building shall be taken for any public or quasi-public use, under any statute or by right of eminent domain, this Lease shall terminate on the date of such taking except as provided in Section 12.03. If less than all of the Building shall be so taken and in Tenant's reasonable opinion the remaining part is insufficient for the conduct of Tenant's business Tenant may, by notice to landlord within sixty (60) days after the date Tenant is notified of such taking, terminate this Lease. If Tenant exercises its option, this Lease and the Term shall end on the date specified in Tenant's notice and the Annual Rent and Additional Rent shall be apportioned and paid to the date specified in Tenant's notice.

Section 12.02 TAKING - LEASE CONTINUES. If less than all of the Building shall be taken and, in Tenant's reasonable opinion communicated by notice to Landlord within sixty (60) days after Tenant is notified of such taking, Tenant is able to gain access to and continue the conduct of its business in the part not taken, this Lease shall remain unaffected, except that Tenant shall be entitled to a pro rata abatement of Annual Rent and Additional Rent based upon the nature of the space taken (office space, storage, parking area) and upon the proportion which the area of the Leased Premises or Building Parking Area, as case may be, so taken bears to the area of the Leased Premises or Building Parking Area, as case may be, immediately prior to such taking

Section 12.03 TEMPORARY TAKING. If the use and occupancy of the whole or any part of the Building is such that the remaining part is insufficient for the conduct of Tenant's business, as determined by Tenant in its sole opinion, is temporarily taken for a public or quasi-public use for a period less than the balance of the Term, and provided any such taking continues for a period of at least seven (7) consecutive days from the date Tenant gives written notice to Landlord thereof, at Tenant's option to be exercised in writing and delivered to Landlord not later than sixty (60) days after the date Tenant is notified of such taking, this Lease and the Term shall terminate on the date specified in Tenant's notice



or shall continue in full force and effect. If this Lease remains in effect Tenant shall be entitled to a pro rata abatement of Annual Rent and Additional Rent in the manner and to the extent provided in Section 12.02 or, at its option, receive that portion of the award for such taking which represents compensation for the value of Tenant's leasehold estate and the Term demised hereunder, in which case Tenant shall continue to pay the Annual Rent and Additional Rent in full when due.

Section 12.04 LANDLORD'S AWARD. Landlord shall be entitled to receive the entire award or awards in any condemnation proceeding without deduction therefrom for any estate vested in Tenant and Tenant shall receive no part of such award or awards from Landlord or in the proceedings except as otherwise expressly provided in this Article. Subject to the foregoing, Tenant hereby assigns to Landlord any and all of Tenant's right, title and interest in or to such award or awards or any part thereof.

Section 12.05 TENANTS AWARD. If there is a taking hereunder, Tenant shall be entitled to receive out of the award or, if allowed by the Laws, to appear, claim, prove and receive in the condemnation proceeding (1) the unamortized value over the Term of Tenant's improvements, alterations, replacements and other similar changes to the Leased Premises, provided the same shall have been paid for by Tenant but regardless of whether the same might be considered by the Laws or otherwise as a part of the Building or shall be or become Landlord's Property under the provisions of this Lease; (2) the value of Tenant's Personal Property that is damaged, destroyed or taken hereunder, (3) the cost of relocation; and (4) special awards or allowances paid to tenants when their rental space is taken by eminent domain.

Section 12.06 RESTORATION BY LANDLORD. If there is a taking hereunder and this Lease is continued landlord shall, at its expense, proceed with reasonable diligence to repair, replace and restore the Building as a complete architectural unit of substantially the same proportionate usefulness, design and construction existing immediately prior to the date of taking.

Section 12.07 DEFINITIONS. Taking by condemnation or eminent domain hereunder shall include the exercise of any similar governmental power and any sale, transfer or other disposition of the Building or Land in lieu or under threat of condemnation. The word "Building," as used in this Article only, shall mean the Leased Premises, Building Parking Area and access ways thereto and Common Building Facilities.

#### ARTICLE THIRTEEN

##### ALTERATIONS AND IMPROVEMENTS

Section 13.01 TENANT'S CHANGES - NO APPROVAL.

(a) Tenant may place and replace its trade fixtures, tools, machinery, furniture, floor covering, equipment and other tangible personal property ("Tenant's Personal Property") in the Leased Premises and may make alterations, improvements (including painting), replacements and other changes to the Leased Premises Service Systems and to the interior of the Leased Premises as it may desire at its own expense without Landlord's consent, provided that Tenant complies with all applicable laws. Tenant shall not alter, improve, replace or change the Building Service Systems or the Structure except in accordance with Section 13.02. Tenant's alterations, improvements, replacements and other changes to the Leased Premises Service Systems or Building Service Systems shall be made in a manner which does not impair the performance of, or cause damage to, such Service Systems, and does not increase Landlord's maintenance obligations. At least five business days prior to the commencement of any such work within the Leased Premises, Tenant shall notify Landlord of the expected date of commencement and Landlord shall then have the right at any time and from time to time to post and maintain on the Leased Premises such notices as Landlord reasonably deems necessary to protect the Leased Premises, the Project and Landlord from mechanics' and other liens. In any event, Tenant shall not permit any mechanics' or other liens to be levied against the Project for any labor or materials furnished to Tenant or claimed to have been furnished to Tenant or to Tenant's agents or contractors. All alterations, improvements or additions in or about the Leased Premises performed by or on behalf of Tenant shall be done in a good, workmanlike manner (consistent with a quality office environment) and in compliance with all applicable laws, ordinances, regulations and orders of any governmental authority having jurisdiction thereover.

(b) The words "Leased Premises Service Systems" shall include the electrical, HVAC, mechanical, plumbing, safety and health and telecommunication (voice/data/signal) systems that directly service the Leased Premises from a localized point of distribution. Such systems are dedicated to the Leased Premises at their available capacities and do not service any space other than the Leased Premises. Provided Tenant continues to occupy the entire Building, and for purposes of this Article 13, Building Service Systems shall mean the Leased Premises Service Systems.

Section 13.02 TENANT'S CHANGES - LANDLORD'S APPROVAL.

(a) Tenant may make alteration improvements, replacements and other changes to the Building Service Systems and to the Structure if Landlord consents thereto, which consent shall not be unreasonably withheld or delayed. As a condition to giving such consent, Landlord may require, at the time consent is given that Tenant remove any such alterations, improvements or additions at

the expiration or earlier termination of the Term, and restore the Leased premises to their prior condition.

(b) If Tenant desires to make alterations, improvements, replacements or other changes to the Structure or Building Service Systems, or exterior of the Building Tenant shall make a request for Landlord's approval by submitting to Landlord a list of proposed contractors and plans and specifications for the work to be performed Landlord shall respond within five (5) business days from receipt of the same, approving those contractors and those portions of the work that are acceptable and disapproving those contractors and portions of the work that are, in Landlord's judgment reasonably exercised, unacceptable and specifying in detail the nature of Landlord's objection. Failure of Landlord to respond as aforesaid shall be tantamount to approval of such contractors and plans and specifications in all respects. At least five business days prior to the commencement of any such work within the Leased Premises, Tenant shall notify Landlord of the expected date of commencement and Landlord shall then have the right at any time and from time to time to post and maintain on the Leased Premises such notices as Landlord reasonably deems necessary to protect the Leased Premises, the Project and Landlord from mechanics' and other liens. In any event, Tenant shall not permit any mechanics' or other liens to be levied against the Project for any labor or materials furnished to Tenant or claimed to have been furnished to Tenant or to Tenant's agents or contractors. All alterations, improvements or additions in or about the Leased Premises performed by or on behalf of Tenant shall be done in a good, workmanlike manner (consistent with a quality office environment) and in compliance with all applicable laws, ordinances, regulations and orders of any governmental authority having jurisdiction thereover.

(c) The words "Building Service Systems" shall mean the electrical HVAC, mechanical, plumbing, safety and health and telecommunication (voice/data/signal) systems that service the Building up to the point of localized distribution. Such systems provide the main source of supply and distribution throughout the Building. Provided that Tenant continues to occupy the entire Building, and for purposes of this Article 13, the Building Service Systems shall include the Leased Premises Service Systems.

(d) The word "Structure" shall mean bearing walls, roof, exterior walls, support beams, foundation, window frames, floor slabs and support columns of the Building.

Section 13.03 TENANT'S OWNED PROPERTY. All of Tenant's Personal Property, whether paid for directly by Tenant or purchased by Tenant's Work or/and constituting Tenant's Quantities (collectively, "Tenant's Owned Property") shall be owned by and remain the property of Tenant notwithstanding Landlord's obligations to insure any part of the same under Section 10.02(a).

Section 13.04 REMOVAL OF TENANT'S OWNED PROPERTY. Tenant may remove all or any of Tenant's Owned Property at any time during the Term provided that upon the expiration or earlier termination of the Term Tenant shall remove the same from the Leased Premises. Any items not so removed may, at Landlord's option, be deemed to have been transferred to Landlord, or may be deemed to be abandoned and removed from the Leased Premises, stored and disposed of at Tenant's expense. If Tenant removes such things or any of them, Tenant shall not be required to remove pipes, wires and the like from the walls, ceilings or floors, provided Tenant properly cuts, disconnects and caps such pipes and wires and seals them off as required by the Laws.

Section 13.05 LANDLORD'S CHANGES - TENANT'S APPROVAL. During the Term, Landlord shall obtain Tenant's consent, which shall not be unreasonably withheld or delayed, before making any substantial addition to the Building or materially altering the external appearance thereof, constructing additional buildings on the Land, or making any other substantial alteration or change (other than as reasonably required incidental to repairs and maintenance) to the Common Building Facilities or to the Building Parking Area, unless required by the Laws.

#### ARTICLE FOURTEEN

##### LANDLORD'S ACCESS

(a) Landlord shall upon advance oral notice to Tenant (except in an emergency), have the right (1) at all reasonable times during Tenant's business hours to inspect the Leased Premises and to show the same to prospective mortgagees and purchasers; (2) during the last six (6) months of the Term, to show the same to prospective tenants and (3) at all times to make repairs or replacements as required by this Lease or as may be necessary, provided, however, that Landlord shall use all reasonable efforts not to disturb Tenant's use and occupancy of the Leased Premises.

(b) Landlord shall have the right to enter the Leased Premises at all times in emergencies.

(c) Tenant may designate one or more areas in the Leased Premises as secure areas, and Landlord shall have no right of access thereto without being accompanied by Tenant's designated representative except in the case of emergencies.

#### ARTICLE FIFTEEN

##### COMPLIANCE WITH LAWS

Section 15.01 TENANT'S COMPLIANCE WITH LAWS. Tenant shall comply with all federal state and local statutes, rules, ordinances, orders, codes and regulations and legal requirements and standards issued thereunder (collectively referred to in this Lease as the "Laws") which are applicable to Tenant's use and manner of use of the Leased Premises. Nothing herein shall be deemed to impose any obligation upon Tenant for any elements of the Structure or Building Service Systems, or for any restoration, alterations, replacements or repairs required to be made by Landlord pursuant to the provisions of this Lease. Notwithstanding the foregoing, Tenant shall reimburse Landlord, within thirty (30) days after written demand by Landlord, for all costs incurred by Landlord in making alterations or improvements of the Leased Premises, the Building, or the Project required by Laws due to or as a result of a change in Tenant's use or manner of use of the Leased Premises from the general uses set forth in Section 8.01.

Section 15.02 LANDLORD'S COMPLIANCE WITH LAWS.

(a) Landlord shall comply with all Laws which (1) affect the Project or (2) relate to the performance by Landlord of any duties or obligations to be performed by Landlord under this Lease. Without limitation, Landlord agrees that the Project shall at all times during the Term comply with all design, construction, conservation, environmental asbestos, fire, health and safety Laws, and Laws covering the disabled. Notwithstanding the foregoing, Landlord shall only be required under this section to make capital improvements to the Leased Premises, the Building or the Project at Landlord's expense with respect to those Laws in effect during the Initial Term. Thereafter, Tenant shall pay all costs incurred by Landlord in complying with the requirements of this section.

(b) All boilers and other pressure vessel equipment shall be constructed and maintained by Landlord in accordance with the ASME Standards and Codes.

(c) Landlord shall regularly inspect and maintain the HVAC system and treat the cooling tower water with U.S. Environmental Protection Agency registered chemicals to prevent the buildup of slime, algae and bacteria, and shall follow the latest recommendations of the Centers for Disease Control or current practices of the American Society of Heating, Refrigeration and Air Conditioning Engineers.

ARTICLE SIXTEEN

SURRENDER OF POSSESSION

Subject to Section 9.02 above, at the expiration or earlier termination of the Term, Tenant will peaceably yield up the Leased Premises to Landlord in good condition and repair with respect to

Tenant's obligations pursuant to Sections 9.02 and 9.03, ordinary wear and tear excepted.

## ARTICLE SEVENTEEN

### SIGNS

Section 17.01 TENANT'S SIGNS. Tenant may place its signs in, on or about the Leased Premises, provided they comply with all applicable laws.

#### Section 17.02 PROJECT SIGN AND NAME.

(a) So long as Tenant shall lease sixty percent (60%) or more of the rentable area of the Building, it shall have the exclusive right to design and designate the location of signs naming the Project and to prohibit any other sign to be placed outside of or on the Building or within the lobby or other prominent area inside the Building which is visible to the public where such sign identifies or is associated with the name of a competitor of Tenant.

(b) If Tenant shall lease less than forty percent (40%) of the rentable area of office space in the Building and if at any time after the execution of this Lease Landlord changes the Building Name or installs new or substitute signs which are not the Building Name, Landlord shall notify Tenant at least sixty (60) days prior to the date of the proposed change. If the proposed new or changed name identifies, or the proposed signs identify or may be associated with, a competitor of Tenant and Landlord denies Tenant's written request, made within thirty (30) days after notification of the proposed change, not to use the proposed name or install the signs, Tenant may, at its option exercised by notice to Landlord within ninety (90) days from the date the proposed name is adopted or the signs are installed, terminate this Lease. In such event, the Term shall end on the date specified in Tenant's notice, Annual Rent and Additional Rent shall be apportioned and paid to the date of termination, and Tenant shall have no further liability to Landlord arising out of this Lease.

Section 17.03 LIMITATIONS ON LANDLORD'S RIGHTS. Neither Tenant nor Landlord shall install or permit installation of any signs, sculptures and/or graphics which adversely reflect on the dignity or character of the Project as a first class office Project. No "for rent" or other similar signs or flags, other than the American flag and flag of the State in which the Building is located, may be placed within the Project limits without Tenant's written approval, which will not be unreasonably withheld or delayed.

Section 17.04 COMPLIANCE WITH LAWS. All signs installed by Landlord and Tenant shall comply with applicable Laws and shall be installed in a good workmanlike manner.

#### ARTICLE EIGHTEEN

##### SUBORDINATION AND NON-DISTURBANCE

This Lease shall be subordinate and subject to all ground and underlying leases and to any first mortgages thereon and to any First mortgages covering the fee of the Project, and to all renewals, modifications or replacements thereof, provided, however, that with respect to any existing ground lease, underlying lease and/or mortgage, no later than the date Tenant executes and delivers this Lease and with respect to any future ground lease, underlying lease and/or mortgage, on or before the effective date thereof, Landlord shall obtain from its ground lessor, underlying lessor and/or mortgagee, as the case may be, a written agreement with Tenant in form acceptable to Tenant which includes the conditions set forth in this Article 18. The agreement shall be binding on their respective legal representatives, successors and assigns and provide, among other provisions, that so long as this Lease shall be in full force and effect (a) Tenant's possession and use of the Project in accordance with the provisions of this Lease shall not be affected or disturbed by reason of the subordination to or any modification of or default under the ground or underlying lease or mortgage and (b) the ground and underlying lessor and mortgagee will make available to Landlord the insurance proceeds payable under policies of insurance required to be carried by Landlord in Article Ten for the purposes agreed upon in Article Ten, subject to reasonable restrictions and controls regarding such issues as approval of construction documents and progress payment disbursements and showing of no material impairment of security following reconstruction. If the ground or underlying lessor and/or mortgage or any successor in interest shall succeed to the rights of Landlord under this Lease, whether through possession, surrender, assignment, subletting, judicial or foreclosure action, or delivery of a deed or otherwise, Tenant will attorn to and recognize such successor-landlord as Tenant's landlord provides the successor-landlord accepts such attornment and recognizes Tenant's rights of possession and use of the Leased Premises in accordance with the provisions of this Lease. If Tenant is joined as a defendant in any proceeding which may be instituted to terminate or enforce the ground or underlying lease or to foreclose or enforce the mortgage, Landlord shall indemnify and hold Tenant harmless from all costs, attorneys' fees, expenses, liabilities and damages incurred by Tenant in connection therewith.

## ARTICLE NINETEEN

### MECHANICS' LIENS

During the Term, Tenant shall discharge by payment, bond or otherwise those mechanics' liens filed against the Project for work, labor, services or materials claimed to have been performed at or furnished to the Leased Premises for or on behalf of Tenant, except when the mechanics' liens are filed by a contractor, supplier, materialman or laborer retained by Landlord, in which event Landlord shall discharge the liens by payment, bond or otherwise.

## ARTICLE TWENTY

### IBM RENT GUARANTY

Simultaneous with the execution and delivery of this Lease by Tenant, International Business Machines Corporation shall cause to be executed and delivered to Landlord a Guaranty in the form of Exhibit D hereto, accompanied by evidence of requisite corporate approval and authority for such execution and delivery in a form reasonably satisfactory to Landlord.

### ARTICLE TWENTY-ONE

Intentionally deleted

### ARTICLE TWENTY-TWO

Intentionally deleted

### ARTICLE TWENTY-THREE

Intentionally deleted

### ARTICLE TWENTY-FOUR

## DEFAULT

### Section 24.01 DEFAULT BY TENANT.

(a) If Tenant shall default in the payment of Annual Rent or Additional Rent and the default shall continue for ten (10) days after notice thereof from Landlord, or if Tenant shall default in the performance or observance of any of its other covenants or obligations set forth in this Lease, and if the default shall



continue for thirty (30) days after notice thereof from Landlord specifying in what manner Tenant has defaulted (except that if the default cannot be cured within said thirty (30) day period, this period shall be extended for a reasonable additional time, provided that Tenant commences to cure the default within such thirty (30) day period and proceeds diligently thereafter to effect such cure) within one hundred twenty (120) days Landlord may, at its option and without any further notice or demand, in addition to any other rights and remedies given hereunder or by law, do any of the following:

(1) Landlord shall have the right, so long as such default (after expiration of all cure periods as set forth in paragraph (a) above) continues, to give notice of termination to Tenant, and on the date specified in such notice this Lease shall terminate.

(2) In the event of any such termination of this Lease, Landlord may then or at any time thereafter, re-enter the Leased Premises and remove therefrom all persons and property and again repossess and enjoy the Leased Premises, without prejudice to any other remedies that Landlord may have by reason of Tenant's default or of such termination.

(3) In the event of any such termination of this Lease, and in addition to any other rights and remedies Landlord may have, Landlord shall have all of the rights and remedies of a landlord provided by Section 1951.2 of the California Civil Code. The amount of damages which Landlord may recover in event of such termination shall include, without limitation, (i) the worth at the time of award (computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent) of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss that Tenant proves could be reasonably avoided, (ii) all legal expenses and other related costs incurred by Landlord following Tenant's default, (iii) all costs (including, without limitation, any brokerage commissions) incurred by Landlord in reletting the Leased Premises which are allocable to the then remaining Term.

(4) For the purpose of determining the unpaid rent in the event of a termination of this Lease, or the rent due hereunder in the event of a reletting of the Leased Premises, the monthly rent reserved in this Lease shall be deemed to be the sum of the Annual Rent and all periodic Additional Rent (including Operating Expenses and Real Estate Taxes) last payable by Tenant.

(5) After terminating this Lease, Landlord may remove any and all personal property located in the Leased Premises and place such property in a public or private warehouse or elsewhere at the sole cost and expense of Tenant.

(b) Even though Tenant has breached this Lease and abandoned the Leased Premises, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession, and Landlord may enforce all its rights and remedies under this Lease, including the right to recover rental as it becomes due under this Lease. Acts of maintenance or preservation, efforts to relet the Leased Premises, or the appointment of a receiver upon initiative of Landlord to protect Landlord's interest under this Lease, shall not constitute a termination of Tenant's right to possession.

(c) All amounts of Annual Rent and Additional Rent not paid by Tenant when due shall bear interest from the date due until paid in full at the lesser of ten percent (10%) per annum or the maximum rate permitted by law.

Section 24.02 SUSPENSION OF TENANT DEFAULT. Subject to Section 24.03 below, if Tenant shall dispute any sum claimed by Landlord to be specifying in reasonable detail the basis for its dispute, Tenant may pay the amount in dispute to an independent escrow agent of its choice, to be held by the agent pending resolution of the dispute by arbitration or otherwise. Tenant's rights under this Section 24.02 shall be limited to disputes regarding sums other than (1) monthly installments of Annual Rent and (2) periodic payment of Real Estate Taxes, not contested by Tenant by notice to landlord given within thirty (30) days following Landlord's notice of any change in such amounts. Tenant shall not be deemed to be in default hereunder by reason of such payment until the dispute is resolved in favor of Landlord and Tenant fails to cause the agent to pay the amount determined to be payable to Landlord within ten (10) days after Tenant is notified of the determination. Tenant and Landlord shall negotiate in good faith to resolve the dispute by agreement, failing which either may proceed to arbitration in accordance with Article Thirty-Eight.

Section 24.03 DEFAULT BY LANDLORD. If and when Tenant discovers that Landlord has made a representation in this Lease which was intentionally false or misleading in any material respect when made, or that Landlord has committed a material breach of any of the warranties made in this Lease, Tenant may declare an event of default. Further, if Landlord defaults in the performance or observance of any of its covenants or obligations set forth in this Lease, Tenant shall give Landlord notice specifying in what manner Landlord has defaulted and if the default shall not be cured by Landlord within the period of time provided for elsewhere in this Lease, and otherwise within thirty (30) days after the delivery of such notice (except that if the default cannot be cured within said thirty (30) day period, this period shall be extended for a reasonable additional time, provided that Landlord commences to cure the default within the thirty (30) day period and proceeds diligently thereafter to effect such cure) Tenant may declare an event of default. If Landlord disputes any default declared by

Tenant pursuant to this Article or the reasonableness of time granted to cure the default, Landlord may submit the disputed matter to arbitration in accordance with Article Thirty-Eight within ten (10) days after receiving Tenant's notice. Alternatively, if Landlord fails to reimburse Tenant within thirty (30) days after it receives Tenant's invoice and Landlord fails to submit the disputed matter pursuant to Article Thirty-Eight, Tenant shall have the right to submit the disputed matter to arbitration in accordance with Article Thirty-Eight by notice given within ten (10) days following the end of such thirty (30) day period. If judgment is in favor of Tenant in the arbitration, Tenant shall have the right to deduct any costs and expenses incurred by Tenant to cure Landlord's default from each monthly installment of Annual Rent due or to become due in an amount not to exceed ten percent (10%) of each monthly installment, until Tenant has been paid in full. If Landlord's default materially and adversely affects Tenant's rights under this Lease and the default cannot be cured within a reasonable time or at a reasonable cost by either Tenant or Landlord, as determined by the circumstances, Tenant shall have all right and remedies available at law or in equity, including, without limitation, the right to claim actual or constructive eviction. Tenant may recover all damages it incurs as a result including (1) the unamortized value over the Term of Tenant's improvements, alterations, replacements and other similar changes to the Leased Premises, provided the same shall have been paid for by Tenant but regardless of whether the same might be considered by the Laws or other wise a part of the Building or shall be or become Landlord's Property under the provisions of this Lease; (2) the value of Tenant's Personal Property that cannot be removed from the Building without incurring substantial cost; (3) the cost of relocation; and (4) that portion of annual rent and additional rent that Tenant is required to pay at a new location which exceeds the Annual Rent and Additional Rent.

#### ARTICLE TWENTY-FIVE

##### HOLDOVER

If Tenant remains in the Leased Premises beyond the expiration or earlier termination of the Term, such holding over in itself shall not constitute a renewal or extension of this Lease but in such event, a tenancy from month to month shall arise. During the first three (3) months of the holdover period, Tenant shall pay a monthly rental (the "Holdover Base Rent") equal to the installments of Annual Rent and increases in Real Estate Taxes and Operating Expenses payable for the last month of the Term of the Lease. Thereafter (i) the monthly rental for the first three months shall be 110% of the Holdover Base Rent and (ii) the monthly rental thereafter shall be 150%, of the Holdover Base Rent.

ARTICLE TWENTY-SIX

NOTICES

Any notice, request or demand under this Lease shall be in writing and shall be considered properly delivered when addressed as hereinafter provided, and (a) served personally, (b) registered or certified (return receipt requested) and deposited in a United States general or branch post office, or (c) sent by a private express mail carrier. Any notice, request or demand by Tenant to Landlord shall be addressed to Landlord at:

CP Private Partners LP-1  
c/o Cabot Partners Limited Partnership  
Sixty State Street, Boston, MA 02109  
Attention: Asset Management Department

until otherwise directed in writing by Landlord and, if requested in writing by Landlord, simultaneously served on or sent to Landlord's first mortgagee at the address specified in such request.

Any notice, request or demand by Landlord to Tenant shall be addressed to Tenant at:

Altium  
2130 N. Hollywood Way  
Burbank, CA 91504  
Attention: General Counsel

until otherwise directed in writing by Tenant.

Rejection or other refusal to accept a notice, request or demand, or the inability to deliver the same because of a changed address of which no notice was given, shall be deemed to be receipt of the notice, request or demand sent.

ARTICLE TWENTY-SEVEN

ASSIGNMENT AND SUBLETTING

Section 27.01 ASSIGNMENT OR SUBLEASE. Without the consent of Landlord: (i) Tenant may assign this Lease or sublet all or any part of the Leased Premises at any time during the Term to (a) an Affiliated Person of Tenant or (b) a successor entity created by merger, reorganization, recapitalization, or acquisition, or (ii) Tenant may sublet the Leased Premises to any person or entity occupying in the aggregate less than twenty-five percent (25%) of the Leased Premises. Tenant shall be permitted to retain the profit, if any from such sublease or assignment. For purposes of this Section the words "Affiliated Person of Tenant" mean a Person

directly or indirectly, through one or more intermediaries, controlled by Tenant or under common control with Tenant.

Section 27.02 Except as set forth in Section 27.01, Tenant shall not assign this Lease or any interest herein or sublet the Leased Premises or any part thereof without the prior consent of Landlord, which consent shall not be unreasonably withheld or delayed. In connection with each consent requested by Tenant, Tenant shall submit to Landlord the terms of the proposed transaction, the identity of the parties to the transaction, the proposed documentation for the transaction, current financial statements of any proposed assignee or sublessee and any other information reasonably requested by Landlord concerning the proposed transaction and the parties involved therein.

Without limiting the other instances in which it may be reasonable for Landlord to withhold its consent to an assignment or subletting, Landlord and Tenant acknowledge that it shall be reasonable for Landlord to withhold its consent in the following instances:

- (1) if, in Landlord's reasonable judgment, the financial worth of the proposed assignee or sublessee does not meet the credit standards applied by Landlord and its affiliates for other tenants under leases with comparable terms, or the character, reputation or business of the proposed assignee or sublessee is not consistent with the quality of the other tenancies in properties owned by Landlord or its affiliates;
- (2) in the case of a subletting of less than the entire Leased Premises, if the subletting would result in the division of the Leased Premises into more than three subparcels, would create a subparcel of a configuration that is not suitable for normal leasing purposes, or would require access to be provided through space leased or held for lease to another tenant or improvements to be made outside of the Leased Premises; or
- (3) if at the time consent is requested or at any time prior to the granting of consent, Tenant remains in default under the Lease after Landlord has given Tenant notice thereof and an opportunity to cure as set forth in Article 24.

Section 27.03 No sublessee shall have a right to further sublet, and any assignment by a sublessee of its sublease shall be subject to Landlord's prior consent in the same manner as if Tenant were entering into a new sublease.

Section 27.04 LIABILITY OF TENANT. Tenant shall be permitted to retain fifty percent (50%) of the profits, if any, from such sublease or assignment during the Term. Profits shall be defined to mean income received by Tenant from any such sublease or

assignment less the cost of subleasing or assignment, including brokerage commission, legal fees and related expenses, out of pocket economic concessions granted by Tenant, including tenant improvement allowances and lease takeovers. Landlord shall not have the right to recapture any space so subleased or assigned by Tenant. If Tenant assigns or sublets hereunder, Tenant shall remain responsible for the faithful performance and observance of all of its covenants and obligations set forth in this Lease. Landlord agrees that if Tenant assigns this Lease and the assignee defaults and fails to cure such default within the applicable grace period provided in Article Twenty-Four, Tenant shall have the right to recover possession of the Leased premises by curing the assignee's default within ten (10) days thereafter, after Landlord has first delivered to Tenant a copy of Landlord's notice of default concurrent with Landlord's giving notice to the assignee. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting. In the event of default by any assignee of Tenant or any successor of Tenant in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against such assignee or successor.

#### ARTICLE TWENTY-EIGHT

##### EQUAL EMPLOYMENT OPPORTUNITY

There are incorporated in this Lease the provisions of Executive Order 11246 (as amended) of the President of the United States on Equal Employment opportunities and the rules and regulations issued pursuant thereto with which Landlord represents that it will comply unless exempted.

#### ARTICLE TWENTY-NINE

##### QUIET ENJOYMENT

Provided Tenant performs the covenants and obligations in this Lease on Tenant's part to be performed, Landlord covenants and agrees to take all necessary steps to secure and to maintain for the benefit of Tenant the quiet and peaceful possession of the Leased Premises, the Common Building Facilities and Building Parking Area for the Term, without hindrance, claim or molestation by Landlord or any other Person.

#### ARTICLE THIRTY

##### WAIVER

Failure by either party to complain of any action, inaction or default of the other party shall not constitute a waiver of the aggrieved party's rights hereunder. Waiver by either party of any right to claim a default of the other party shall not constitute a waiver of any right to claim a subsequent default of the same obligation or to claim any other default, past, present or future. Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either against the other concerning any matters whatsoever arising out of or in any way connected with this Lease or the relationship of the parties hereunder.

#### ARTICLE THIRTY-ONE

##### PARTIAL INVALIDITY

If any covenant, condition or provision of this Lease, or the application thereof to any Person or circumstance, shall be held to be invalid or unenforceable, then in each such event the remainder of this Lease or the application of such covenant, condition or provision to any other Person or any other circumstance (other than those as to which it shall be invalid or unenforceable) shall not be thereby affected, and each covenant, condition and provision hereof shall remain valid and enforceable to the fullest extent permitted by the Laws.

#### ARTICLE THIRTY-TWO

##### RULES AND REGULATIONS

Section 32.01 TENANT'S OBLIGATION. Tenant shall abide by and observe the rules and regulations marked EXHIBIT F and such other rules and regulations which are necessary for the safety, security, care and appearance of the Project or the preservation of good order therein, or for the operation and maintenance of the Project or equipment therein (the "Rules and Regulations"); provided the same are in conformity with common practice and usage in similar buildings, are not inconsistent with the provisions of this Lease and apply to all tenants and occupants of the Building, and provided further that a copy thereof is received by Tenant.

Section 32.02 STANDARDS APPLICABLE TO LANDLORD. Landlord shall (a) not disseminate against Tenant in enforcing the Rules and Regulations; (b) not unreasonably withhold or delay its consent to any approval required by Tenant under the Rules and Regulations, and (c) exercise its judgment in good faith in any instance when the exercise of Landlord's judgment under the Rules and Regulations is required.

Section 32.03 LANDLORD'S ENFORCEMENT. Landlord shall use its best efforts to obtain compliance of the Rules and Regulations by all tenants and other occupants within the Project limits, but Landlord may permit reasonable waivers so long as such waivers do not unreasonably interfere with or materially and adversely affect Tenant in the conduct of its business in the Leased Premises or violate any rights granted to Tenant under this Lease.

Section 32.04 CONFLICT. If there is a conflict between or ambiguity created by the provisions of this Lease and Rules and Regulations published pursuant to this Article, the provisions of this Lease shall control and be binding on the parties hereto.

#### ARTICLE THIRTY-THREE

##### ESTOPPEL CERTIFICATES

Section 33.01 TENANT'S ESTOPPEL CERTIFICATE. Tenant agrees, at any time and from time to time, upon not less than ten (10) days prior notice from Landlord, and not more than thirty (30) days after Landlord's giving notice to Tenant execute, acknowledge and deliver to Landlord or any Person designated by Landlord a statement in writing (1) certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified and stating the modifications); (2) whether or not the Term has commenced and if it has commenced, stating the dates to which the Annual Rent and Additional Rent have been paid by Tenant, and (3) stating, to the best of Tenant's knowledge, whether or not Landlord is in default in the performance of any covenant, agreement or condition contained in this Lease, and if Tenant has knowledge of such a default, specifying each such default.

Section 33.02 LANDLORD'S ESTOPPEL CERTIFICATE. Prior to commencement of and during the Term, Landlord shall, within ten (10) days after Tenant's request, deliver an estoppel certificate to Tenant or any Person designated by Tenant relative to the status of this Lease and/or any ground lease, underlying lease and/or mortgage encumbering the Project.

#### ARTICLE THIRTY-FOUR

##### EXECUTION OF LEASE

THIS DOCUMENT SHALL NOT BE A VALID AGREEMENT WHICH IS BINDING ON EITHER PARTY HERETO UNTIL AT LEAST ONE (1) COUNTERPART, EXECUTED BY DULY AUTHORIZED REPRESENTATIVES OF LANDLORD AND TENANT, HAS BEEN DELIVERED BY EACH PARTY TO THE OTHER.



ARTICLE THIRTY-FIVE

COUNTERPARTS

When several counterparts of this Lease have been executed, each shall be considered an original for all purposes, provided, however, that an counterparts shalt together, constitute one and the same instrument.

ARTICLE THIRTY-SIX

ANTENNA

Tenant may install and, once installed, modify a microwave, satellite or other antenna communications system on the roof of the Building for use in connection with Tenant's business. Tenant shall furnish detailed plans and specifications for the system (or modification) to Landlord for approval, which approval shall not be unreasonably withheld or delayed. Upon approval, the system shall be installed, at Tenant's expense, by a contractor selected in the manner agreed to in Section 13.02. Tenant is hereby granted such easements and licenses for (a) use of any Building shafts and other Common Building Facilities required to install the electrical or communication wiring, (b) access to the roof at all reasonable times and in emergencies and (c) use of a mutually agreed upon area of the roof to install and operate the system. Tenant shall be responsible for procuring whatever licenses or permits may be required from third Persons for the use or operation of the system, and Landlord makes no warranties or representations as to the permissibility of the system under applicable Laws. The system shall not constitute a nuisance or unreasonably interfere with the operations of Landlord or other tenants occupying the Project. Landlord agrees that after the date Tenant installs its system, Landlord will not permit the installation of a similar system on the roof of the Building by any Person without Tenant's prior written approval, which approval shall not be unreasonably withheld or delayed, provided that Tenant may withhold approval where the installation and/or operation of the other system would interfere with the operation of Tenant's system. Upon the expiration or earlier termination of the Term, Tenant shall remove all equipment placed or installed on the roof of the Building, together with related signal wiring, properly patch and fill all roof penetrations, and repair any damage to the roof resulting from the installation or removal of Tenant's equipment.

ARTICLE THIRTY-SEVEN

BROKER

The parties warrant and represent to each other that no Person has negotiated or brought about this transaction other than Cushman Realty Corporation and CB Commercial Real Estate Group, Inc. Tenant shall defend, indemnify and save harmless Landlord from and against any claim which may be asserted against Landlord by any Person other than the Person named above if (a) the claim is made in connection with this transaction and (b) Tenant employed the claiming Person. Tenant shall reimburse Landlord for reasonable expenses, losses, costs and damages (including reasonable attorneys' fees and court costs if Tenant fails or refuses to defend as herein required) incurred by Landlord in connection with such claims. Landlord shall defend, indemnify and save harmless Tenant from and against any claim which may be asserted against Tenant by any Person if the claim (a) is made in connection with this transaction and (b) arises out of conversations or dealings between Landlord and any claiming Person (including the Person named above) other than a Person employed by Tenant for this transaction, or (c) results from a fraud committed or misrepresentation made by Landlord or any Person employed by Landlord. Landlord shall reimburse Tenant for reasonable expenses, losses, costs and damages (including reasonable attorneys' fees and court costs if Landlord fails or refuses to defend as herein required) incurred by Tenant in connection with such claims. Landlord agrees that its payment to the named Person shall not be a release of Landlord from its obligation of indemnification hereunder or of Tenant's right to enforce such indemnity. This Article shall survive the expiration or earlier termination of this Lease.

#### ARTICLE THIRTY-EIGHT

##### ARBITRATION

###### Section 38.01 APPLICABILITY.

(a) If arbitration is agreed upon hereunder as a dispute resolution procedure, the arbitration shall be conducted as provided in this Article. All proceedings shall be conducted according to the Commercial Arbitration Rules of the American Arbitration Association, except as hereinafter provided. No action at law or in equity in connection with any such dispute shall be brought until arbitration hereunder shall have been waived, either expressly or pursuant to this Article. The judgment upon the award rendered in any arbitration hereunder shall be final and binding on both parties hereto and may be entered in any court having jurisdiction thereof.

(b) During an arbitration proceeding pursuant to this Article, the parties shall continue to perform and discharge all of their respective obligations under this Lease, except as otherwise provided in this Lease.

Section 38.02 NOTICE AND DEMAND. All disputes that may be arbitrated in accordance with this Article shall be raised by notice to the other party, which notice shall state with particularity the nature of the dispute and the demand for relief, making specific reference by article number and title of the provisions of this Lease alleged to have given rise to the dispute. The notice shall also refer to this Article and shall state whether or not the party giving the notice demands arbitration under this Article. If no such demand is contained in the notice, the other party against whom relief is sought shall have the right to demand arbitration under this Article within five (5) business days after such notice is received. Unless one of the parties demands arbitration, the provisions of this Article shall be deemed to have been waived with respect to the dispute in question.

Section 38.03 SELECTION OF ARBITRATOR. Tenant and Landlord shall mutually and promptly select one person who has demonstrated at least ten (10) years' experience in commercial real estate matters and, in particular, the subject matter of the dispute, to act as arbitrator hereunder. If a selection is not made within thirty (30) days after a demand for arbitration is made, upon the request of either party the arbitrator shall be appointed by The American Arbitration Association. The arbitration proceedings shall take place at a mutually acceptable location in \_\_\_\_\_.

Section 38.04 SCOPE.

(a) When resolving any dispute, the arbitrator shall apply the pertinent provisions of this Lease without departure therefrom in any respect. The arbitrator shall not have the power to change any of the provisions of this Lease, but this Section shall not prevent in any appropriate case the interpretation, construction and determination by the arbitrator of the applicable provisions of this Lease to the extent necessary in applying the same to the matters to be determined by arbitration. The arbitrator shall limit his or her deliberations to the following issues only and no others:

(1) Under Article Six, Nine or Twenty-Four of this Lease (a) whether a party has committed an event of default, (b) whether a party either has failed to cure the default within the grace period allowed by the provisions of this Lease for curing the default or, having eventually cured the default, nevertheless has failed to proceed with due diligence, (c) whether the length of time specified by Tenant in a notice of default given under Article Six, Nine or Twenty-Four was reasonable, taking into consideration the nature of the default and surrounding circumstances (such as availability of parts, required municipal approvals, and effect of the default on occupants and invitees of the Project) existing at the time notice was given, (d) whether the Construction Documents prepared by Landlord under the Work Letter, set forth in Exhibit C, provide for construction which is the logical extension of

the design, quality and quantity shown in the Schematics, or (e) whether the proposed lease amendment meets the requirements of paragraph 2.02(b).

(2) Whether an item included in Landlord's Statement as Operating Expenses or Real Estate Taxes is properly includable pursuant to Article Three.

(b) The right of Landlord and Tenant to submit a dispute to arbitration is limited to issues agreed in this Lease to be submitted to arbitration.

#### ARTICLE THIRTY-NINE

##### EXCUSABLE DELAY

Whenever a party hereto is required by the provisions of this Lease to perform an obligation and such party is prevented beyond its reasonable control from doing so by reason of an Excusable Delay, such party shall be temporarily relieved of its obligation to perform, provided it promptly notifies the other party of the specific delay and exercises due diligence to remove or overcome it. The words "Excusable Delay" shall mean any delay due to strikes, lockouts or other labor or industrial disturbance; civil disturbance; future order of any government, court or regulatory body claiming jurisdiction; act of the public enemy, war, riot, sabotage, blockade or embargo; failure or inability to secure materials, supplies or labor through ordinary sources by reason of shortages or priority or similar regulation or order of any government or regulatory body, lightning, earthquake, fire, storm, hurricane, tornado, flood, washout or explosion, or act or omission of one party hereto which prevents the party claiming delay from complying, or which materially and adversely interferes with the claiming party's ability to comply with an obligation under this Lease on its part to be performed.

#### ARTICLE FORTY

##### MISCELLANEOUS

Section 40.01 RULES OF INTERPRETATION. This Lease shall be strictly construed neither against Landlord or Tenant; each provision hereof shall be deemed both a covenant and a condition running with the Land; except as otherwise expressly provided in this Lease and its Exhibits and other attachments, the singular includes the plural and the plural includes the singular, "or" is not exclusive; a reference to an agreement or other contract includes supplements and amendments thereto to the extent permitted by this Lease; a reference to the Laws includes any amendment or supplement to such Laws; a reference to a Person includes its

permitted successors and assigns; accounting provisions have the meanings assigned to them by generally accepted accounting principles and practices applied on a consistent basis; the words "such as," "include," "includes" and "including" are not limiting, except as specifically agreed upon in this Lease, any right may be exercised at any time and from time to time and all obligations are continuing obligations throughout the Term, and in calculating any time period, the first day shall be excluded and the last day shall be included and all days are calendar days unless otherwise specified; whenever the consent or approval of either party is required, such consent or approval shall not be unreasonably withheld or delayed; and whenever either party is granted a right to take action, exercise discretion or make an allocation, judgment or determination, such party shall act in good faith in a reasonable and prudent manner.

Section 40.02 NO EXCLUSIVE REMEDIES. No remedy or election given by any provision in this Lease shall be deemed exclusive unless so indicated, but each shall, wherever possible, be cumulative in addition to all other remedies at law or in equity which either party may have arising out of an event of default of the other party.

Section 40.03 PROJECT CONTRACTORS AND SUPPLIERS. Except as otherwise specifically set forth in this Lease, Landlord hereby covenants and represents that Tenant may deal with any Person for services (including food and vending services), supplies, materials, labor, equipment, transportation, tools, machinery and any other similar or dissimilar services or items in connection with the use and occupation of the Leased Premises and any work performed therein.

Section 40.04 GOVERNING LAWS. This Lease shall be governed in all respects by the Laws of the State of California.

Section 40.05 NON-DISCLOSURE OF LEASE.

(a) Prior to the Tenn Commencement Date, Landlord and its agents, employees and contractors shall not disclose the existence of this Lease without Tenant's written consent.

(b) Landlord, its agents, employees and contractors shall keep the provisions of this Lease in confidence and shall not publish or disclose the same at any time during the Term except as permitted by Article Forty-One.

(c) This Section shall not apply to disclosures that must be made by Landlord or Tenant to obtain financing for the Project, or as related to Landlord's efforts to sell the Project.

#### ARTICLE FORTY-ONE

MEMORANDUM OF LEASE

This Lease shall not be recorded by either Landlord or Tenant. However, either party may request that a memorandum of this Lease be recorded in a form reasonably acceptable to both. The requesting party shall pay all costs of recording.

ARTICLE FORTY-TWO

BINDING AGREEMENT

This Lease shall bind and inure to the benefit of Landlord and its executors, distributees and heirs, and to Tenant's and Landlord's respective representatives, successors and permitted assigns.

ARTICLE FORTY-THREE

ENTIRE AGREEMENT

This Lease, including all Exhibits, other attachments and the letter dated July 16, 1993 from Eugene Reilly to Christine von Wrangel regarding sound mitigation, contain the entire agreement of Landlord and Tenant with respect to the matters stated herein, and may not be modified except by an instrument in writing which is signed by both parties and delivered by each to the other. Exhibits and such other attachments are incorporated herein as fully as if their contents were set out in full at each point of reference to them.

ARTICLE FORTY-FOUR

PROJECT MANAGEMENT/MOVING EXPENSES

Landlord shall reimburse Tenant for the cost of project management services provided by A. Epstein and Sons and for all associated moving expenses necessary to relocate to the Leased Premises up to \$150 per rentable square foot, within thirty (30) days after the Term Commencement Date.

IN WITNESS WHEREOF, this Lease has been executed by the duly authorized representatives of Landlord and Tenant as of the date first above written.

LANDLORD

CP PRIVATE PARTNERS, LP-1,  
a Delaware limited partnership

By: Cabot Partner Limited  
Partnership, general partner

By: Cabot Realty Advisors  
Corporation, general partner

By: /s/ (illegible)  
-----  
Its: President  
-----

TENANT

ALTIUM  
a California corporation

By: /s/ Lee Amunay  
-----  
Its: President  
-----

A-52

EXHIBIT A - To be attached  
(with dotted line to show Partial Leased Premises)

SITE PLAN

A-53



EXHIBIT B

MAINTENANCE SPECIFICATIONS

LANDLORD'S LANDSCAPE SERVICE - One visit per week

1. Hand pick weeds and trash in the planting areas.
2. Hand water and/or regulate the watering system.
3. Shrub beds will be fertilized every two months.
4. Provide the labor to repair or replace the sprinkler system heads and risers.
5. Trim all trees, shrubs, and plants as required.
6. Replace all plantings that die or are damaged.
7. Keep all sidewalks and grounds free from gardening debris to maintain a neat and clean appearance.
8. Stake and tie trees as required.
9. Provide labor to eradicate rodents from landscape areas by setting traps, or other means.
10. Provide the labor and materials to minor applications of pesticides, herbicides, and fungicides.
11. Walkway areas will be swept or blown clean.
12. Repair damage due to acts of nature (storm runoff, water overflow, excessive winds) mechanical malfunctions, broken water lines, vandalism, and theft.

LANDLORD'S PARKING LOT MAINTENANCE:

1. Blow away from curbs and vacuum sweep parking lot once a month.
2. Blow clean sidewalks, courtyards and steps once a week.
3. Hand pick or blow away trash from planters and landscape areas once a week.
4. Blow clean trash enclosures once a week.
5. Repaint all handicap stalls annually or as needed.

LANDLORD'S HVAC MAINTENANCE:

1. Change air filters on a monthly basis.
2. Check fan belts monthly and replace as needed.
3. Maintain water treatment in chiller units for proper levels of microbicides, PH balance, and ionizers.
4. Faulty electrical ground and city power will be tested and corrected as needed.
5. Water temperature and pressure and coolant levels in all HVAC units required monthly.
6. Check and service HVAC units at least monthly.
7. Test and service all backflow and pressure relief valves annually.

EXHIBIT C

IMPROVEMENTS WORK LETTER

FOR 2130 NORTH HOLLYWOOD WAY, BURBANK

This Agreement is incorporated into that certain Lease (the "Lease") dated July 16, 1993, between ALTIUM, as "Tenant", and CP PRIVATE PARTNERS, LP-1, as "Landlord." All of the defined terms as used in the Lease shall have the same meanings herein. In the event of a conflict between the provisions of the Lease and the provisions of this Exhibit C, the provisions of the Lease shall prevail.

1. LANDLORD'S WORK. Landlord, through its general contractor, shall at Landlord's sole cost, arrange to design, furnish, construct and install upon and within the Leased Premises (the "Project") in accordance with the drawings and specifications finally approved by Landlord and Tenant (collectively), as "Landlord's Work." The Landlord's Work generally covers, but is not limited to, exterior building modifications, exterior windows, landscaping, site work, building entrance features, partitions, doors, lighting fixtures, acoustical ceilings, window coverings, floor coverings, electrical, telephone, plumbing, heating, ventilating and air conditioning equipment, fire sprinklers, general life safety, computer room, employee center, eating/food service areas, restrooms and other items of general construction as set forth in the drawings and specifications described in Section 2 below. The quantities, character and manner of installation of all of the Landlord's Work shall be subject to the limitations imposed by any applicable laws and governmental regulations. Prior to selecting a general contractor to construct the Landlord's Work, Landlord shall include any contractors designated by Tenant in the group from which it solicits proposals. Landlord shall act in a financially responsible and commercially reasonable manner in paying the consultants and contractors providing services in connection with the Landlord's Work and in discharging liens which may be filed.
2. DRAWINGS AND SPECIFICATIONS. Landlord and Tenant have approved the schematic drawings and scope of work specifications for Landlord's Work. Copies of such documents (the "Schematics") are attached as ATTACHMENT 1. Landlord, through its architect, Stewart Romberger Associates, shall furnish drawings and specifications (the "Construction Documents") required for the pricing and construction of the Landlord's Work and in accordance with the schedule outlined below. Such documents shall be prepared as the logical extension and in accordance with the design, quality and

quantity shown in the Schematics and shall be submitted to Tenant for its approval. Tenant's approval shall not unreasonably be withheld and shall be deemed given if not denied in a notice given to Landlord within five business days of Landlord's request which notice includes a detailed explanation of noted material deviations of the work described in the proposed Construction Documents from the scope of work described in the Schematics. Landlord disagrees with any of the reasons for Tenant's denial of its approval, Landlord may nevertheless deem that the proposed documents are approved and proceed to construct the Landlord's Work including those portions not approved by Tenant, but Tenant may, by notice to Landlord given within 15 days after Landlord gives notice to Tenant of its intention to proceed notwithstanding Tenant's disapproval, subject the issue to arbitration under Article 38 of the Lease. If Tenant prevails, the arbitrator's award may include a requirement that Landlord modify the Landlord's Work as necessary to meet Tenant's objections.

3. CHANGES TO LANDLORD'S WORK. From time to time, Tenant may request changes to the drawings, plans and specifications for the Project including but without limitation, all Construction Documents defined in Section 2. Landlord will review and respond within two (2) business days to Tenant's request for any reasonable "Minor Change", i.e. reposition a door, and shall not unreasonably withhold its approval of such request provided there is no schedule delay or increase in cost for such change and such change does not violate any Laws, or require an amendment or variance to applicable zoning ordinances. Such Minor Changes shall be at no cost to Tenant provided they are at no cost to Landlord. If Landlord reasonably determines that the Tenant requested change would cause a delay to the Construction Schedule or increase the cost of Landlord's Work, then Landlord shall submit to Tenant in writing, within five (5) business days, or as soon thereafter as it has obtained requisite information from its architect and contractor, that the requested change is considered a "Major Change." This notice will explain any additional charges that will be assessed to Tenant and the period of time, if any, that the change will materially and adversely affect the approved Construction Schedule. Tenant shall bear all of the identified additional charges for Major Changes to Landlord's Work, together with a fee for the Landlord's construction administration of 4% of the cost of such change. In the event Landlord or its general contractor is instructed to proceed with such changes without approval of such increased cost or time delay by Tenant, the amount and time thereof shall be reasonably determined by Landlord upon completion of Landlord's Work, subject to Landlord's furnishing to Tenant appropriate back-up information from Landlord's architect and general contractor concerning increased fees and costs and construction delays.

4. PAYMENT OF TENANT'S COST. Tenant shall pay to Landlord all amounts due under the terms of this Agreement within thirty (30) days after billing by Landlord. Bills may be rendered during the progress of the Landlord's Work. Landlord shall not be obligated to continue installation of any change in the Landlord's Work requested by Tenant if Tenant does not pay the cost of such change to Landlord when due. If Tenant does not make timely payment to Landlord, Landlord may, but shall not be obligated to, advance Landlord's funds to pay Tenant's costs and any funds so advanced shall be payable to Landlord upon demand as Additional Rent and shall bear interest as provided in the Lease. Notwithstanding anything contained herein to the contrary, Tenant may elect to convert all or any portion of Tenant's Cost to a credit to Rent payable at the beginning of the Initial Term up to \$168,337.50, in which case the amount credited shall be amortized over the remainder of the Initial Term at nine percent (9%) per annum and shall be payable by Tenant in equal monthly installments as Additional Rent. In such event, Tenant and Landlord agree to amend the Lease with an appropriate adjustment.

5. TENANT'S WORK.

- (a) Any Items or work beyond the scope of Landlord's Work for which Tenant contracts separately (hereinafter "Tenant's Work"), shall be subject to Landlord's and its contractor's policies and schedules and shall be conducted in such a way as not to hinder, cause any disharmony with or delay completion of Landlord's Work. The schedule for Tenant's Work shall be arranged with Landlord's contractor and no work shall be done by Tenant which would cause Landlord's contractor to be dependent upon such work for completion of Landlord's contractor's work or effect the critical path of Landlord's contractor's work. In no event shall work involving the roof, sprinkler, plumbing, mechanical, electrical power, lighting or general life safety systems of the Building be performed by other than Landlord's approved subcontractors.

TENANT'S WORK -- The following items shall be provided by Tenant at Tenant's expense:

- Video/graphics laboratory and control room special finishes, including the auxiliary interior lighting and control system, surface applied soundproofing, curtain back drop and low voltage wiring;
- Card-key security system, hardware and control units;

- Data and phone cable;
  - The employee cafeteria kitchen serving counter, stoves, sinks, built-ins, and kitchen equipment, including the exhaust hood but not including employee "vending area" which shall be Landlord's Work.
  - Interior signage (except code required fire and life safety signs which shall be part of the Landlord's Work).
- (b) TENANT ACCESS: The Landlord shall provide the Tenant, at no cost to the Tenant, with reasonable access to the Premises at all reasonable times during construction, including access for the purpose of the Tenant installing the Tenant's telecommunication and computer cabling systems and any other fixtures and equipment. The Landlord shall provide the Tenant with access to the Building during the Move-In Period for the purpose of installing the Tenant's furniture, fixtures and other equipment. The Tenant shall perform its work so as to not interfere with the timely completion at the construction work being performed by the Landlord. The Tenant shall not be charged any fee for parking, the use of the Building's utilities or operating expenses until the Term Commencement Date. As used herein, the term "Move-In Period" shall mean the twenty-one (21) day period immediately preceding the Term Commencement Date.
- (c) Not less than ten (10) business days prior to the date Tenant desires to commence Tenant's Work, it shall give a written request to Landlord setting forth or accompanied by all of the following:
1. A description and schedule for the work to be performed;
  2. The names and addresses of all contractors, subcontractors and material suppliers who will perform Tenant's Work;
  3. The approximate number of individuals, itemized by trade, who will be present in the Leased Premises;
  4. Copies of all drawings and specifications pertaining to that portion of Tenant's Work;
  5. Copies of all licenses and permits which may be required in connection with the performance of Tenant's Work, and

6. Certificates of insurance indicating compliance with the insurance requirements set forth in the Lease.

All of the foregoing shall be subject to Landlord's approval, which approval shall not unreasonably be withheld or delayed.

- (d) Tenant shall be responsible for any hoisting charges incurred in connection with Tenant's Work and for any expenses incurred by Landlord due to inadequate cleanup by those performing Tenant's Work.
- (e) If, in Landlord's reasonable judgment, any supplier, contractor or worker performing Tenant's Work hinders or delays, directly or indirectly, completion of the Landlord's Work by Landlord's contractor or performs any work which may or does impair the quality, integrity or performance of any portion of the Building, Landlord shall give notice to Tenant and immediately thereafter Tenant shall cause such supplier, contractor or worker immediately to cease working in the Building. Landlord and Tenant shall then determine what corrective action should be taken. As Additional Rent under the Lease, Tenant shall reimburse Landlord for any repairs or corrections to Landlord's Work or the cost of any delays caused by or resulting from the actions or omission of anyone performing Tenant's Work.

6. PROGRESS SCHEDULE FOR LEASED PREMISES IMPROVEMENTS. With respect to the Landlord's Work and Tenant's Work, Landlord and Tenant shall maintain the following progress schedule, with dates and times for performance for actions as follows, subject to extension for delays for events ("Excusable Delays") beyond the control of either party:

ACTION -----	DATE OR TIME -----
(a) Delivery to Tenant of proposed Construction Documents under Paragraph 2 above	No later than August 27, 1993
(b) Review by Tenant of drawings and specifications after submission or resubmission to Tenant by Landlord	5 business days after submission or resubmission
(c) Response by Tenant to Landlord or its architect's request for additional information	5 business days after request
(d) Construction start date	No later than September 13, 1993. Unless delay caused by Major Change requested or approved by Tenant.

- (e) Commencement of Tenant's move-in as per Lease Section 4.02(6) December 21, 1993 or the number of business days after December 21, 1993 for which Tenant has approved construction delays or reasonable delays which are a result as described in Paragraph 8 below.

7. AVAILABILITY OF LANDLORD'S CONSTRUCTION INFORMATION. Landlord shall, upon request by Tenant, cause to be made available for inspection by Tenant all information relating to construction of and changes to the Landlord's Work requested by Tenants including, but not limited to, contractor bids, change orders, cost reports, applications for payment and other relevant backup information and records with respect to such construction.

8. COMPLETION; TENANT DELAY. If Landlord shall be delayed in achieving Substantial Completion of the Landlord's Work as a result of:

(i) Tenant's failure to comply with the progress schedule in paragraph 6; or

(ii) Changes requested by Tenant in the scope of Landlord's Work from that set forth in the Schematics or changes to the Construction Documents requested by Tenant after approval thereof pursuant to paragraph 2 which cause an actual schedule delay (including without limitation delays caused by responding to or implementing changes which are requested but not subsequently approved by Tenant); or

(iii) Any interruption or interference in Landlord's construction of the Landlord's Work caused by Tenant, its contractors or its vendors; or

(iv) Tenant's failure to timely pay any amounts which Tenant is obligated to pay under this Agreement; or

(v) Any other act, neglect, failure or omission of Tenant, its agents, employees or contractors which delays the progress of achieving Substantial Completion (items (i) through (v) being collectively referred to as "Tenant Delays");

then Landlord shall give Tenant notice thereof and the date upon which the payment of scheduled Annual Rent under the Lease is to commence shall not change unless there are any additional days to increase the date for Landlord's failure to meet the Substantial Completion Date. There shall be no delay in start of Rent payable by Tenant for Tenant Delays. If



Tenant disputes Landlord's claim that there has been a Tenant Delay, Tenant shall have the right to submit the disputed matter to arbitration in accordance with Article Thirty-Eight within 10 days after Landlord has given notice to Tenant of any such Tenant caused delay.

9. WARRANTIES. Landlord shall obtain for the benefit of Tenant appropriate warranties from contractors and material suppliers to repair or replace materials, workmanship fixtures and equipment incorporated in the Landlord's Work which appear to be defective within the warranty period. Landlord hereby assigns to Tenant any and all such warranties.

IN WITNESS WHEREOF, the parties have executed this Agreement on the respective dates they executed the Lease,

LANDLORD

CP PRIVATE PARTNERS, LP-1,  
a Delaware limited partnership

By: Cabot Partners Limited  
Partnership, general partner

By: Cabot Realty Advisors  
Corporation, general partner

By: /s/ (illegible)

-----  
Its: President  
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TENANT

ALTIIUM  
a California corporation

By: /s/ Lee Amunay

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Its: President  
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A-62

ATTACHMENT 1

TO EXHIBIT C

SECTION 1.01 This is a definition and specification for Landlord's scope of work (Landlord's Work) including tenant improvements, base building and site improvements. This Scope of Work is written in a Construction Specification Institute format. The attached Exhibits are an integral part of this Attachment 1. Tenant's Work exceptions are specifically noted herein. Tenant has approved a final space plan dated July 15, 1993 ("Attachment 1-C.1"). Attachment 1-C.1 is the controlling document in the event of any conflict with any other specification or attachment referenced herein.

SECTION 1.02 CODES

All work is to conform to all pertaining federal, state and local laws, codes, regulations and requirements of regulatory public agencies. Such codes include but are not limited to:

Uniform Building Code  
California Administrative Code  
Division of Industrial Safety, Safety Orders (CAL/OSHA)  
Title 24, Building Standards (CAC)  
Uniform Mechanical Code  
Uniform Plumbing Code  
National Fire Protection Association  
National Electrical Code  
State and Local Public Health Codes  
Americans with Disabilities Act

SECTION 2. SITE WORK

- A. (1) Existing paving to be patched, slurry coated and restriped.
- (2) Stamped concrete to be constructed at entrance parking area, see Attachment 1-A.
- B. (1) Landscaping shall be refurbished. New landscaping shall be added along the south property line. All landscaping shall be provided with an irrigation system appropriate to the plantings. The landscape plan shall be approved by Altium and included as a lease exhibit.

- (2) A ten (10) foot high split face or equal wall shall be constructed along the south property line from the southeast intersection with the PSD (Burbank Public Services Department property with a street address of 2030 N. Hollywood Way, Burbank) property to a point where the Landlord's wall meets the north-south PSD wall near the southwest intersection of the PSD property.
  - (3) Front landscaping to include garden effect with berm/wall to obscure roadway, see Attachment 1-A.
  - (4) Fence at rear of parking lot (east property line) to be replaced by a 6' chain link fence with slats from the southeast intersection of the PSD property, north to the southeast corner of the Pacific Avenue access. Fence at north end of rear parking lot to have slats.
- C. An outdoor patio eating area will be built to include a driveway perimeter wall to obscure view from parking lot and to provide landscaping with trees to provide shade. The paved eating area to be 750 S.F. minimum, see Attachment 1-A.
- D. Demolition: The existing mezzanine, approximately 11,000 S.F. (excluding the portion of the mezzanine and the adjoining stairs above the existing central restrooms) is to be demolished in such a way to minimize damage to existing building systems. All other constructed elements not included in the new design are to be demolished.

### SECTION 3. CONCRETE

- A. Existing concrete tilt-up panels to be cut and reinforced to include windows. Score lines to be depicted on Hollywood Way elevation and not on the south elevation. Example of size of typical openings to be included as an exhibit to the lease, see Attachment 1-B.
- B. The facade along Hollywood Way to be improved to eliminate the existing river rock surface. The facade is to have a three dimensional design as depicted on exterior elevation

drawings approved by Altium and attached as Attachment 1-B.

- C. Existing concrete slab to be trenched, dowelled and filled as required to provide electricity and data cable ducts to systems furniture and for under floor plumbing as required.
- D. Existing depression for pre-existing computer room to be filled to form a concrete slab level with the surrounding slab.
- E. The existing concrete slab is to be patched and repaired. Existing floor materials and other foreign matter are to be removed to the original concrete.

SECTION 4. MASONRY See Attachment 1-A and Section 2 and 3.

SECTION 5. STRUCTURAL STEEL AND MISCELLANEOUS METALS

- A. Structural steel as required to frame window openings in exterior tilt-up concrete walls.
- B. All columns from the demolished mezzanine to be removed down to slab level to provide a flat even surface.
- C. Decorative steel on exterior per approved elevation drawings, see Attachment 1-B.
- D. Lockable chain link, 6' gate to be added to rear driveway entrance from Pacific Avenue subject to the approval of governmental agencies.

SECTION 6. CARPENTRY/MILLWORK

- A. Plastic laminate veneered millwork required in the following areas:

Executive conference room pantry  
Vending area coffee counter with uppers and lowers  
Customer center  
Phone room counters  
Customer center coffee counter uppers and lowers  
Locker/restroom sink counter, make-up counter  
2 Coffee/satellite mail rooms including uppers and lowers  
Janitorial closets - single shelf

Employee service area of cafeteria (vending area)

- B. An allowance of \$40,000 is to be provided by Landlord for fabrication and installation of solid ash with cherry stain trim and ash veneer millwork required in the following areas:
- Executive Waiting Area - trim details as required  
Executive Reception Desk  
Executive Conference Room - cabinets, chair rail, base, other trim as required  
Private Executive Conference Room - Chair rail, base, other trim as required  
Executive Area - Trim and details as required  
Main Lobby - reception desk, product display pedestals, trim as required in design  
Main Conference Room - built in supply cabinets  
Display rail on one wall of each conference room
- C. All cabinetry to be built to applicable AWI and WIC quality standards
- D. All walls to support millwork to have blocking
- E. Rain forest wood products, such as mahogany, shall not be used.
- F. Tenant's Work will include cafeteria seating areas:
- Banquettes
  - Condiment Counter
  - Tray Storage
  - Trash Enclosure

SECTION 7. MOISTURE PROTECTION

- A. Existing roof to be patched and repaired as per recommendations of roofing report, Attachment 1-F. Roof repairs to be inspected by independent agency or author of roofing report.
- B. All roof penetrations and wall penetrations to be flashed, caulked and sealed.

SECTION 8. DOORS, WINDOWS & GLASS

- A. All exterior doors at main lobby, cafeteria and employee entrance to be glass doors in aluminum

frames suitable for automatic security controls. All other exterior doors to be steel doors and frames.

- B. All interior doors to be cherry stained ash veneered solid core doors 8'0" high in aluminum frames. All offices to have 18" wide full height sidelights. Executive offices and private executive conference room to have glass walls. All wood doors to be factory finished.

Exception: Doors from main lobby to adjacent departments may be "herculite" type glass doors as determined in design. Interior fire doors to be held in open position in wall pockets by magnetic hold-opens triggered by local dedicated smoke detectors.

- C. Window systems to be installed in new openings in exterior tilt-up panels.
- D. Other interior windows to be installed as required by design, including:

5' x 5' one way glass window in the Human Factors Lab.

5' high glass windows between Control Room and Computer Room, Printer room, and hallway (per Attachment 1-C)

- E. Exterior window glass will match existing glass on south elevation. The front glass on the west side of building will be replaced with the building standard glass.
- F. Relocate revolving door from present ALTIUM building to south employee entrance, subject to governmental codes. Installation per Attachment 1-C.

## SECTION 9. FINISHES

- A. Painting:

All interior corridors and open office areas to have "Toll-o-flect" (or equivalent) painted walls. Lobby and display/exhibit area to have "Zolatone" painted walls. Employee entrance, and cafeteria to have Toll-o-flect or equal. All gypboard surfaces in the following rooms to be gloss or semi gloss as required:

Executive Conference Room Pantry  
Servery  
Kitchen  
Vending Area  
Coffee/Satellite Mail Rooms  
Janitorial Storage & Closets  
Bathrooms, Shower & Locker Rooms

All Other Gypboard Surfaces to have Satin Finish, all paint on gypboard to have minimum 1 coat of primer and two coats of paint. Landlord to touch up painted and stained surfaces as required following the Tenant's move into the Building.

- B. An allowance of \$20,100 is to be provided by Landlord for fabric wallcovering to be included in:

Executive Offices  
Private Executive Conference Room  
Executive Waiting/Reception Area/Adjacent Hallways  
Executive Conference Room Executive Conference Room Foyer  
Sound absorbent wall covering to be included in testing/plotter room and graphic video lab.

- C. The following rooms to have ceramic tile finishes:

Kitchen & Servery as required by Health Department - floors and base  
New Restrooms - Floors and walls up to same height as existing restrooms  
Showers - Floors and Walls  
Locker Rooms - Floor area adjacent to shower and sinks  
Cafeteria seating area walkways (An allowance of \$7.00 per square foot to be provided by Landlord)

- D. Lobby to have "syndicrete" or tile flooring.  
E. Warehouse & janitor closets to have painted concrete floors.  
F. Carpet: Areas shown on Attachment 1-E.

- (1) Executive area to have Bentley Kings Road premiere edition

- (2) All corridors to have Collins & Aikman Sisal weave 18" x 18" carpet tiles.
  - (3) All generic office areas to have carpet per Attachment 1-E.
  - (4) Cafeteria seating area
  - (5) Locker Room dry area to have indoor/outdoor type carpet tiles
  - (6) Vinyl 12" x 12" flooring required in some auxiliary areas per Attachment 1-E.
- G. Acoustical ceiling: Areas shown on Attachment 1-D.
- (1) General office area tile: 2' x 2' USG auratone, omni-fissured, white; grid: USG, Donn Finezine white with white reveals (blue reveals in executive conference room).
  - (2) Open work station area tile: Armstrong "nubby" 1" thick foil backed with regular edge 2' x 2' or equal; grid: same as above.
  - (3) Auxiliary areas tile: 2' x 4' auratone omni fissured, white; grid: Armstrong prelude 15/16" T-bar or equal.
- H. Cafeteria Ceiling: Areas shown on Attachment 1-D.
- Hunter Douglass, 12" cell frame module with 4" cell inset.
- I. Ceiling height to be minimum 10'-0" throughout offices. Open workstation areas to have raised portions to create interest. Open office areas without visual contact to outside light to have raised simulated skylights, see Attachment 1-D.
- J. Corridors to have gypboard ceilings or acoustical per H(1) above.
- K. An Allowance of \$5,000 is to be provided by Landlord for horizontal element at 8'0" A.F.F. ("Boston Bumper").

SECTION 10. SPECIALTIES



- A. Signage: Building sign on feature at entry per Attachment 1-B.
- B. Raised access flooring to be in operations equipment room, printer room, and control room. Stairs and ramp per plan.
- C. All conference rooms to have built-in marker boards.
- D. Main conference room to have an 3 operable walls, with an STC rating of 50. The total linear feet is to be 60 feet. The height is to be 10 feet.

SECTION 11. EQUIPMENT

- A. All conference rooms to have electric roll down projection screens. Three such screens can be removed from Altium's current premises and reinstalled in new facility. One to be reused from existing Hollywood Way facility. Five others to be furnished by Tenant and installed by Landlord.
- B. Residential Appliances:
  - (1) To be supplied by Tenant and installed by Landlord: All coffee areas, the vending area and the executive pantry to have a microwave and a refrigerator with ice maker. The executive pantry to have one dishwasher and garbage disposal. The vending area to have under counter freezer and under counter ice maker.
  - (2) To be supplied and installed by Landlord: One dishwasher and garbage disposal in Executive Pantry.

SECTION 12. FURNISHINGS

- A. All exterior windows to have Levelor or equal 3-1/2" wide 8050 white vertical perforated PVC blinds. Percentage of perforation to be chosen by Altium.

SECTION 15. MECHANICAL SYSTEMS

- A. Heating and Air Conditioning Systems
  - (1) Existing Systems Inspection and Servicing:

The existing heating, ventilating and air conditioning systems and equipment shall be tested for proper operation, serviced and repaired as necessary to meet the manufacturers specifications. This includes all chillers, cooling towers, heat pumps, air conditioners, exhaust fans and all associated controls, ductwork pumps, valves and accessories. Inspections, testing and repairs shall include, but not be limited to:

- (a) All leaks, significant corrosion and fouling shall be eliminated from equipment, piping and ductwork
- (b) Coils shall be inspected and cleaned, where necessary.
- (c) Chiller compressors shall be inspected and fully serviced. All leaks shall be repaired and belts replaced as necessary.
- (d) Air handlers shall be inspected, tested and adjusted for proper airflow and static pressure. Air handler sensors and controls shall be inspected, adjusted and replaced if necessary. Filters shall be replaced. All bearings shall be serviced or replaced as necessary. All belts shall be inspected and replaced as necessary.
- (e) All exhaust fans shall be inspected and tested for proper operation. All bearings shall be serviced and worn belts replaced. Visible corrosion shall be mechanically removed and primer and paint re-applied as necessary.
- (f) All equipment, dampers, valves and controls shall be checked and adjusted to proper manufacturers specifications or design settings and repaired or replaced as necessary.
- (g) Pneumatic system compressors shall be checked for leaks and fully serviced and adjusted. Pneumatic tubing, thermostats, valves and other associated controls shall be checked for leaks and properly adjusted. Repair or replace as necessary.

(2) Tenant Improvement Requirements:

The design and installation of the heating, ventilating and air conditioning tenant improvements shall meet the following requirements:

- (a) The design shall provide systems of sufficient capacity to be capable of maintaining 78 degrees F. maximum on the cooling cycle within all spaces with a minimum of 74 degrees F. during the heating cycle and during off schedule hours.
- (b) The design shall allow for all personnel, equipment, lighting, solar, exterior and all miscellaneous heating and cooling loads. The calculations shall be performed on a space-by-space basis determining the individual loads per space and the associated required airflow for sizing volume control dampers, ductwork, diffusers, grilles, etc. as well as block loads for determining the HVAC equipment capacities required. Equipment Heat loads to be provided by Tenant, see Attachment 1-G.
- (c) The HVAC tenant improvements shall be designed and installed with Carrier Variable Air Volume, Variable Temperature (VAVVT) volume control dampers, by pass dampers, perimeter reheat coils (if applicable) and electronic controls or an equivalent variable air volume system suitable for use with the existing constant volume packaged rooftop heat pump units. Zoning requirements and the number of zones shall be as required to meet the performance criteria set forth in this Section 2(a).

- (d) The HVAC system tenant improvements for the new computer room shall be a stand alone system(s) dedicated to serving only the computer room with sufficient capacity to meet all anticipated computer room loads per computer equipment list provided by Altium, see Attachment 1-H, with a spare capacity of 20% minimum. The system shall be capable of maintaining a minimum computer room temperature of 68 degrees F. with the maximum temperature not to exceed 78 degrees F. and a humidity range of 10%-70%. The system(s) shall be connected to the emergency electrical power system, if available. In addition to the stand alone system, the computer room shall be provided with a conditioned air supply from one of the building systems of sufficient capacity to maintain a computer room temperature of not greater than 78 degrees F. should the dedicated stand alone system fail. This building supply shall also provide the required minimum fresh air for ventilation for the computer room at all times.
- (e) The minimum outdoor air supply rates shall not be less than 0.15 CFM/SPSF or 20 CFM/person outdoor air, whichever is greater. All HVAC units over 25 tons to have economizer cycles.
- (f) The HVAC shall be capable of cooling a process load (personal computers) in every workstation. The planning load for each workstation is 430 watts, see Attachment 1-G.
- (g) The systems serving general office areas shall be equipped with 30% efficiency filters, and the computer room system shall be equipped with 50% efficiency filters, rated in accordance with the atmospheric dust spot method per ASHRAE standard 52, "method of testing air cleaning

devices used in general ventilation for removing particulate matter."

- (h) Exhaust hood and integral fire suppression system to be furnished by Tenant and installed by Landlord for cooking area in cafeteria kitchen. Landlord will be responsible for all ducting from the hood.

B. Plumbing

Hot and cold water to be supplied to all coffee rooms, executive pantry restrooms, cafeteria and vending area. Kitchen to have grease trap and 3 floor sinks as required in kitchen vendor design. Janitor closets and janitor storage to have a total of 3 floor height mop sinks.

SECTION 16. ELECTRICAL

- A. Components -- Service switchboards, distribution boards, transformers, generator, feeders, panelboards, controls, switches/disconnects branch circuits, etc.
- B. Complete systems of conduit, outlets and cabinets or terminal backboards for the following systems:
  - (1) Telephone
  - (2) Computers
  - (3) CCIV Surveillance
  - (4) Card Access Systems
- C. Branch circuit wiring for:
  - (1) HVAC/Plumbing equipment
  - (2) Lighting Fixtures and controls
  - (3) Convenience outlets
  - (4) Electrically-operated equipment furnished under other sections of the work
  - (5) Kitchen/Food service, refrigeration, etc.
  - (6) Vending machines
  - (7) Emergency egress/exit lighting
  - (8) Exterior and landscape lighting
- D. Convenience outlets
  - (1) In all public corridors and lobbies, spaced at not more than 30 foot centers.

- (2) In all mechanical and electrical equipment areas.
  - (3) As required for food service and vending equipment.
  - (4) Two convenience outlets in each P-4 size office (10' x 15'); three in each P-3 office; four in each P-2 and larger.
  - (5) Each P-2, 3 & 4 office to have two dedicated circuits with a common isolated ground.
  - (6) All workstations will have a tenant installed power distribution system. System to be hardwired to junction mounted in wall where stations abut a wall or column or a floor monument mounted to existing or new underfloor raceway.
    - (a) All MIS and development workstations to have two convenience duplex outlets and three dedicated duplex outlets on a single 20 amp rated circuit grounded to the conduit for P.C.'s.
    - (b) All other workstations to have three convenience duplex outlets and one dedicated outlet on a circuit shared with two other workstations for P.C.'s.
  - (7) Appliances specified in other sections.
  - (8) Altium will provide equipment list for all Tenant supplied equipment other than standard P.C.'s accommodated by paragraph 6. including copiers, printers, plotters, fax machines, etc., see Attachment 1-G.
- E. Lighting in general will comply with California Administrative Code, Title 24, Part 6 Article 2 "Energy Conservation Standards for New Non-Residential Buildings", Division 9 and still provide standard illumination levels.
- (1) Lighting fixtures in all areas accessible to the public will be as required by the interior designer and/or Architect. The

following lighting fixtures are to be used:

- (a) General open office area lighting to be LC1 PI-314-T8-SP35-ELB-RF-277 Matte White. Pendant mounted light fixtures to achieve minimum 30 foot candles at the work surface.
  - (b) Private offices, Conference Rooms to have recessed four lamp 2' x 4' deep cell parabolic fluorescent fixtures or equivalent per Attachment 1-D.
  - (c) Other light fixtures to be specified in Attachment 1-D.
- (2) Switching and controls
- (a) Rooms per interior design requirements
  - (b) General areas per Title 24.
  - (c) Exterior and parking by automatic time clock control.

SUBLEASE EXHIBIT B

LESSOR'S CONSENT

September 26, 1994

CP Private Partners LP-1  
c/o Cabot Partners Limited Partnership  
Sixty State Street  
Boston, Massachusetts 02109

Attention:

Sublease: Dated as of September 26, 1994, between International Business Machines Corporation ("IBM") and TeleTech Telecommunications, Inc. ("Sublessee")

Sublease Premises: Portion of the Building at 2130 N. Hollywood Way, Burbank, CA 91504

Prime Lease: Dated July 16, 1993, between CP Private Partners LP-1 and IBM, successor-in-interest to Altium, a California corporation.

Gentlemen:

International Business Machines Corporation ("IBM") is hereby requesting your consent to the proposed subletting of the Sublet Space, more particularly described in the Sublease attached, subject to and upon the following terms and conditions to which IBM and Sublessee expressly agree. The phrases "You" and "Master Landlord" are alternatively used herein to refer to the "Landlord" under the Prime Lease.

1. This subletting and the Sublease are and shall be subject and subordinate at all times to all of the covenants, provisions and conditions of the Prime Lease and of this consent. Neither IBM nor the Sublessee shall do or permit anything to be done in connection with this subletting to which will violate the Prime Lease. In the case of any conflict between the provisions of the Prime Lease and the provisions of the Sublease, the provisions of the Prime Lease shall prevail unaffected by the Sublease. Any breach or violation of any provisions of the Prime Lease by Sublessee shall be deemed to be, and shall constitute, a breach or violation by IBM of such provisions.



2. This consent is limited to this subletting to Sublessee only, and nothing contained herein shall be deemed a waiver of Master Landlord's right under the Prime Lease to approve or disapprove in writing any further subletting by IBM or Sublessee of any part of the premises described in the Prime Lease, or approve or disapprove assignment of the Prime Lease or the Sublease.

3. Although the Sublease has been delivered to you and for your information, nothing contained therein or herein shall be construed (a) as consent, approval or ratification by you of any of the specific provisions of the Sublease or as a representation or warranty by you, or (b) to modify, waive or affect any of the provisions, covenants or conditions set forth in the Prime Lease, and you shall not be bound or estopped in any way by any of the provisions of the Sublease. The Sublease shall be subject and subordinate at all times to the Prime Lease and to all of the covenants and conditions of the Prime Lease and of this consent.

4. Neither the Sublease nor your consent to this subletting shall release or discharge IBM from any of IBM's liability under the Prime Lease. IBM shall continue during the term of the Prime Lease, including any renewals or extensions thereof, as provided for under the Prime Lease, to be liable and responsible for the due performance of all of the covenants, provisions and conditions set forth in the Prime Lease to be performed by Tenant thereunder. In addition, to the extent covenants, provisions and liability under the Prime Lease survive the expiration or earlier termination of the Prime Lease, IBM shall continue to be liable and responsible for same. IBM shall also be responsible for all charges incurred by or imposed upon Sublessee by Master Landlord for services rendered and materials supplied to Sublessee or the Sublet Space if not paid by Sublessee. Nothing herein contained is intended to waive any breach of the Prime Lease or any of your rights thereunder, or to enlarge or increase your obligations thereunder.

5. This consent shall not be assigned or transferred by IBM or Sublessee.

6. Subject to paragraph 7 below, upon the expiration or earlier termination of the term of the Prime Lease, or in case of the surrender of the Prime Lease by IBM to you, the Sublease and its term shall expire and come to an end as of the effective date of such expiration, termination or surrender, and Sublessee shall vacate the Sublet Space on or before such date in accordance with the provisions of the Prime Lease. If Sublessee fails to so vacate, you shall be entitled to all of the rights and remedies available to you against IBM and Sublessee under the Prime Lease and at law or in equity, by reason of such holdover.

7. If IBM defaults under the Prime Lease you may, at your option and without terminating the Sublease, elect to collect from Sublessee (and Sublessee shall pay you on demand) the rent, additional rent and other sums then due or thereafter becoming due and payable from Sublessee to IBM pursuant to the terms of the Sublease, which payments to you shall constitute partial rent payments under the Prime Lease, but shall not affect or modify the relationship between the parties as Sublessor and Sublessee and Landlord and Tenant under the Sublease and Prime Lease or, except to the extent of sums actually received by you from Sublessee, affect or modify IBM's liability or obligations under the Prime Lease. If the Prime Lease shall expire or terminate during the term of the Sublease for any reason other than condemnation or destruction by fire or other cause, or if IBM shall surrender the Prime Lease to you during the term of the Sublease, you may, at your option elect to continue the Sublease (without any additional or further agreement of any kind on the part of the Sublessee) with the same force and effect as if you as Landlord and Sublessee as Tenant had entered into a lease as of the effective date of such expiration, termination or surrender for a term equal to the then remaining term of the Sublease, in which case Sublessee shall attorn to you and become your tenant pursuant to the covenants, provisions and conditions of the Sublease, however, such adoption and attornment shall not release IBM from the performance of what would have been "Tenant's obligations under the Prime Lease if the Prime Lease had not so expired or been so terminated or surrendered, and in no event shall you be (a) liable for any act or omission by IBM, (b) subject to any offsets or defenses which Sublessee had or might have against IBM, (c) bound by any rent or additional rent or other payment paid by Sublessee to IBM in advance (except to the extent you actually receive the same), or (d) bound by any amendment to the Sublease not consented to by you. You shall give at least three (3) days' written notice to IBM and Sublessee of your exercise of either or both of the options set forth in this Paragraph 7 in the manner provided in the Prime Lease for the giving of notices.

8. Any notice or communication which any party hereto may desire or be required to give any other party under or with respect to this consent shall be given in the manner provided in the Prime Lease for the giving of notices and shall be addressed to such other party as follows:

TO IBM:                   IBM Real Estate Services  
                          355 South Grand Avenue  
  
                          12th Floor  
                          Los Angeles, CA 90071  
                          Attention: Program Manager

with a copy sent simultaneously to:

IBM Real Estate and Procurement Services  
Old Orchard Road  
Armonk, NY 10504  
Attention: Associate General Counsel  
Real Estate and Procurement  
Services

until otherwise directed in writing by Sublessor.

TO MASTER LANDLORD: As set forth in the Prime Lease

TO SUBLESSEE: TeleTech Telecommunications, Inc.  
2130 North Hollywood Way  
Burbank, CA 91504  
Attention: Mr. Kenneth D. Tuchman

with a copy sent simultaneously to:

Ahn & Lee  
3435 Wilshire Boulevard  
Suite 2000  
Los Angeles, CA 90010-2006  
Attention: Charles Ahn, Esq.

or at such other address as any other party hereto may have designated by notice given in accordance with the provisions of this Paragraph 8. Rejection or other refusal to accept or the inability to deliver because of a changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent.

9. IBM and Sublessee hereby represent and warrant that the Sublease and the documents referenced therein contain the entire agreement of the parties thereto with respect to the subject matter thereof. IBM and Sublessee agree that no modification or amendment of the Sublease, that requires the approval of Master Landlord, will be made without the prior written consent of Master Landlord.

10. Any rights and remedies of Sublessee, if any, will be solely against IBM and not against Master Landlord.

11. This consent shall be construed in accordance with the laws of the State of California and contains the entire agreement of the parties hereto with respect to the subject matter hereof and may not be changed or terminated orally or by course of conduct.

12. This consent shall be incorporated in the Sublease.

Your consent to this subletting shall not be effective until this letter is signed by you and delivered to IBM and until original counterparts, executed by duly authorized representatives of IBM and Sublessee, have been delivered by IBM and Sublessee, respectively, to you. This consent may be executed in counterpart and all counterparts shall together constitute one and the same instrument. Therefore, if you agree to the foregoing covenants, provisions and conditions, kindly sign below where indicated and return the two (2) originals of this letter to IBM, attention: Paul Dimeo, Program Manager. Please retain this letter for your file.

Very truly yours,

International Business Machines Corporation, a New York corporation

WITNESS:

By: \_\_\_\_\_  
\_\_\_\_\_

Title: \_\_\_\_\_

Accepted this day of September, 1994.

Accepted this        day of September, 1994.

TeleTech Telecommunications, Inc.,  
a California corporation

WITNESS:

By: \_\_\_\_\_  
\_\_\_\_\_

Title: \_\_\_\_\_

Accepted this day of September, 1994.

CP Private Partners LP-1,  
a Delaware limited partnership

Witness:

By: Cabot Partners Limited Partnership  
Its: General Partner

-----

By: Cabot Realty Advisers Corporation  
Its: General Partner

By: -----  
Title: -----

SUBLEASE EXHIBIT C

FLOOR PLAN OF SUBLEASE PREMISES (AND BUILDING PARKING AREA)

[Exhibit B consists of a sketch of the premises, including the parking area, subject to the sublease.]

C-1

SUBLEASE EXHIBIT D

MEMORANDUM OF SUBLEASE COMMENCEMENT

By this MEMORANDUM dated \_\_\_\_\_, 199\_\_, the parties to the Sublease dated as of September 26, 1994 made by and between INTERNATIONAL BUSINESS MACHINES CORPORATION, as Sublessor and TELETECH TELECOMMUNICATIONS, INC., as Sublessee, agrees as follows with respect to the Sublease Premises located at 2103 N. Hollywood Way, Burbank, California 91504:

1. The Sublease Premises have been delivered to and accepted by Sublessee.
2. The Commencement Date of the Sublease is \_\_\_\_\_, 1995. The term of the Sublease shall expire on January 14, 2000, unless sooner terminated pursuant to the Sublease.

IN WITNESS WHEREOF, this MEMORANDUM has been executed by the duly authorized representative of Sublessor and Sublessee as of the date first above written.

Sublessor:

INTERNATIONAL BUSINESS MACHINES CORPORATION

By:

-----  
Paul Dimeo, Program Manager  
IBM Real Estate Services

Sublessee:

TELETECH TELECOMMUNICATIONS, INC.

By:

-----

Title:

-----

SUBLEASE EXHIBIT E

SUBLESSOR'S IMPROVEMENT LETTER

This Sublessor's Improvement Letter supplements the Sublease Agreement ("SUBLEASE") dated as of September 26, 1994, executed concurrently herewith, by and between INTERNATIONAL BUSINESS MACHINES CORPORATION, as Sublessor, and TELETECH TELECOMMUNICATIONS, INC., as Sublessee, covering certain premises described in the Sublease (the "SUBLEASE PREMISES"). Terms having their initial letters capitalized, but not otherwise defined herein, shall have the meanings ascribed to them in the Sublease.

The parties hereby agree as follows:

1. BASE BUILDING DEFINITION. Sublessor shall construct the Building (except for the parking area layout) in accordance with the plans dated August 30, 1993, prepared by ISI and attached to this Sublessor's Improvement Letter as Schedule 1 (collectively referred to as the "BASE BUILDING IMPROVEMENTS").

2. PLANS AND SPECIFICATIONS.

2.1 AGREEMENT ON PLANS AND SPECIFICATIONS. Sublessee and Sublessor have agreed on complete construction documents for the Sublease Premises, which are plans and specifications for the layout, improvement and finish of the Sublease Premises consistent with the design and construction of the Base Building Improvements (collectively, "CONSTRUCTION PLANS"). All improvements required by the Construction Plans that are not part of the Base Building Improvements shall be called "SUBLESSEE IMPROVEMENTS".

2.1.1 On or before September 26, 1994, Sublessor shall submit to Sublessee a written estimate ("ESTIMATE") of the cost of all Sublessee Improvements, including the general contract, subcontract, purchase order, or labor and materials cost of the Sublessee Improvements, plus the general contractor's fee and general conditions charges, if any. The Estimate will include cost estimates for the following items: (a) the HVAC control system and 2 1/2 ton HVAC unit for the kitchen, (b) the cost of metal locking thermostat covers, (c) the cost of upgrading the telecom cabling and jacks from Category 3 to Category 5, (d) the additional cost of Ledalite pendant light fixtures above parabolic light fixtures for the Sublease Premises, (e) the additional cost of any other item to be added by Sublessee to the Construction Plans without a corresponding cost saving deletion after the September 26, 1994, Construction Plans have been completed and approved by both parties (collectively, the "TELETECH UPGRADES").



2.1.2 If the Estimate is for less than Thirty-Five Dollars (\$35.00) per square foot of rentable Sublease Premises, Sublessee shall have five (5) business days after its receipt of the Estimate to approve such Estimate. If the Estimate exceeds Thirty-Five Dollars (\$35.00) per square foot of rentable Sublease Premises (which results in an Estimate greater than \$1,574,055.00, based on a Sublease Premises size of 44,973 square feet), then Sublessee shall have ten (10) business days after its receipt of the Estimate to coordinate with Sublessor's architect and contractor, revise the Construction Plans, and approve of such revised Estimate, if any. Upon Sublessee's approval of the Estimate, Sublessor shall commence construction of the Sublessee Improvements. Provided that Sublessor's architect and contractor provide Sublessee with a revised Estimate within two (2) business days after Sublessee presents its requested changes to Sublessee's architect and contractor, any delay beyond the time permitted herein in obtaining Sublessee's approval of the Estimate shall be deemed a Sublessee Delay.

2.1.3 Construction of the Sublessee Improvements shall be the responsibility of Sublessor. Sublessor shall be responsible for compliance and coordination of the Construction Plans with the mechanical and electrical elements of the Building and compliance of the Sublessee Improvements with all governmental codes, rules, laws and regulations. Sublessor shall secure the approval of governmental authorities and obtain all permits required by governmental authorities having jurisdiction over the Sublessee Improvements, with Sublessee's cooperation to the extent reasonably required.

2.2 AS-BUILT PLANS. Within sixty (60) days after the occupancy of the Sublease Premises, Sublessor shall provide to Sublessee a set of "as-built" plans incorporating all changes and/or revisions to the Construction Plans.

2.3 CONSTRUCTION MONITORING AND PAYMENT RECONCILIATION. Sublessor shall keep Sublessee fully informed with respect to construction progress and the costs actually incurred by Sublessor at all times during the construction of the Sublessee Improvements. As soon as practicable after the Commencement Date, Sublessor shall prepare and submit to Sublessee a statement showing a complete cost itemization for the Sublessee Improvements.

2.3.1 Sublessor shall pay for the actual cost of the Sublessee Improvements ("BUILDOUT COST") (after deducting the actual cost of the TeleTech Upgrades) up to a maximum of Thirty-Five Dollars (\$35.00) per square foot of rentable Sublease Premises. Sublessee may elect to substitute certain items with items of equal value provided the Buildout Cost remains unchanged.

2.3.2 If the Buildout Cost (after deduction of the actual cost of the Teletch Upgrades) is less than Thirty Dollars (\$30.00) per square foot of rentable Sublease Premises, then Sublessor shall pay to Sublessee an amount equal to fifty percent (50%) of the difference between: (a) Thirty Dollars (\$30.00) multiplied by the rentable square feet of the Sublease Premises, and (b) the Buildout Cost (after deduction of the actual cost of the Teletch Upgrades).

2.3.3 If the Buildout Cost (after deduction of the actual cost of the Teletch Upgrades) is more than Thirty-Five Dollars (\$35.00) per square foot of rentable Sublease Premises, then Sublessee shall pay to Sublessor the difference between: (a) the Buildout Cost (after deduction of the actual cost of the Teletch Upgrades), and (b) Thirty-Five Dollars (\$35.00) multiplied by the rentable square feet of the Sublease Premises within thirty (30) days after Sublessee's receipt of the cost itemization for the Sublessee Improvements.

2.3.4 Within thirty (30) days after receipt of the cost itemization for the Sublessee Improvements, Sublessee shall pay to Sublessor the actual cost of the Teletch Upgrades after deduction for any cost saving deletions or substitutions by Sublessee to the Construction Plans.

### 3. CONSTRUCTION.

3.1 CONSTRUCTION COMMENCEMENT. Following Sublessee's approval of the Estimate of the cost of all Sublessee Improvements, a contractor or contractors selected and employed by Sublessor shall commence and diligently proceed to construct and complete all Sublessee Improvements.

3.2 PUNCH LIST. On or before the date upon which Sublessee occupies the Sublease Premises, Sublessor shall cause the general contractor to inspect the Sublease Premises with a representative of Sublessee and complete a written punch list of unfinished items of Sublessee Improvements prior to Sublessee's moving into the Sublease Premises. Sublessee's representative shall execute said punch list to indicate approval thereof.

3.3 WARRANTY. Upon completion of the Sublessee Improvements, Sublessor represents, warrants, and covenants the following to Sublessee:

3.3.1 The Base Building Systems servicing the Sublease Premises conform to the Construction Plans, comply with all applicable governmental codes, rules, laws and regulations, and have received all required permits.

3.3.2 The Sublessee Improvements conform to the Construction Plans, comply with all applicable governmental codes, rules, laws and regulations, and have received all required permits.

3.3.3 The roof to the Building passed water testing and inspection within sixty (60) days prior to the Commencement Date and has a remaining service life beyond the Sublease Term.

3.3.4 Sublessor will cooperate with Sublessee in Sublessee obtaining the benefit of any warranties or guaranties for the Sublessee Improvements and for the portion of Base Building Systems servicing the Sublease Premises. Upon request from Sublessee, Sublessor will assign any rights under such warranties or guaranties to Sublessee.

4. CHANGES, ADDITIONS OR ALTERATIONS. If Sublessee shall request any change, addition or alteration in the Construction Plans ("Change Order"), Sublessor shall, before proceeding with any Change Order, submit to Sublessee an estimate of the additional costs or savings involved and the period of time, if any, by which the change will affect the completion date for construction of the Sublessee Improvements. If Sublessee fails to approve such estimate within five (5) business days following receipt thereof, the same shall be deemed disapproved and Sublessor shall not proceed with the Change Order. If Sublessee approves said estimate within said period, Sublessor shall cause the approved Change Order to be made. The delay, if any, specified in the approved estimate by Sublessor shall be considered a Sublessee Delay under Section 5. Sublessor shall promptly proceed with the Change Order as soon as reasonably practical after Sublessee's approval of the foregoing estimate by Sublessor. Notwithstanding the foregoing, Sublessee shall not be responsible for the additional cost for any Change Order(s) to the extent that other Change Order(s) result in cost savings to the actual Buildout Cost.

5. DELAY. Sublessee shall be responsible only for, and pay costs and expenses incurred by Sublessor in connection only with delays in the commencement or completion of the Sublessee Improvements. The date on which the Sublease Premises are ready for occupancy in accordance with Section 2.1 of the Sublease shall be determined without regard to any delay in the commencement or completion of the Sublessee Improvements described in this Sublessor's Improvement Letter, caused by (a) Sublessee's failure to approve or disapprove the Estimate within the time period required herein, or (b) any other delay requested or caused solely by Sublessee, including delays caused by Change Orders requested by Sublessee. The foregoing delays are referred to herein and in the

Sublease as "SUBLESSEE DELAY". All other delays (including FORCE MAJEURE events) shall be deemed delays by Sublessor.

6. REASONABLE DILIGENCE. Both Sublessor and Sublessee agree to use reasonable diligence in performing all of their respective obligations and duties under this Sublessor's Improvement Letter and in proceeding with the construction and completion of the Base Building Improvements and all Sublessee Improvements in the Sublease Premises.

Sublessor:

INTERNATIONAL BUSINESS MACHINES CORPORATION

By:

-----  
Paul Dimeo, Program Manager  
IBM Real Estate Services

Sublessee:

TELETECH TELECOMMUNICATIONS, INC.

By:

-----  
Kenneth D. Tuchman, President

SCHEDULE 1 TO SUBLESSOR'S IMPROVEMENT LETTER

BASE BUILDING IMPROVEMENTS

Page S-1 to Sublessor's Improvement Letter

SUBLEASE EXHIBIT F

RULES AND REGULATIONS

1. No advertisements, pictures or signs of any sort shall be displayed on or outside the premises without the prior written consent of Sublessor. This prohibition shall include any portable signs or vehicles placed within the parking lot, common areas or on streets adjacent thereto for the purpose of advertising or display. Sublessor shall have the right to remove any such unapproved item without notice and at Sublessee's expense.
2. Sublessee shall not park or store motor vehicles, trailers or containers outside of the Sublease Premises after the conclusion of normal daily business activity except in approved areas specifically designated by Sublessor.
3. Sublessee shall not use any method of heating or air-conditioning other than that supplied by Sublessor without the prior written consent of Sublessor.
4. All window coverings and window films or coatings installed by Sublessee and visible from outside of the Building require the prior written approval of Sublessor. Except for dock shelters and seals as may be expressly permitted by Sublessor, no awnings or other projections shall be attached to the outside walls of the Building.
5. Sublessee shall not use, keep or permit to be used or kept any foul or noxious gas or substance on, in or around the Sublease Premises unless approved by Sublessor. Sublessee shall not use, keep or permit to be used or kept any flammable or combustible materials without proper governmental permits and approvals.
6. Sublessee shall comply with all reasonable requirements of the Sublessor's insurance underwriters, which do not conflict with its rights under the Prime Lease.
7. Sublessee shall not use, keep or permit to be used or kept food or other edible materials in or around the Sublease Premises in such a manner as to attract

rodents, vermin or other pests. Sublessee shall not permit cooking in or about the Sublease Premises.

8. Sublessee shall not use or permit the use of the Sublease Premises for lodging or sleeping, for public assembly, or for any illegal or immoral purpose.
9. Sublessee shall not alter any lock or install any new locks or bolts on any door at the Sublease Premises without the prior written consent of Sublessor. Sublessee agrees not to make any duplicate keys without the prior consent of Sublessor.
10. Sublessee shall park motor vehicles only in those general parking areas as designated by Sublessor except for active loading and unloading of containers. Sublessee shall not permit or otherwise allow any portion of the parking areas, other than those portions designated as loading areas, to be used for any purpose other than the parking of vehicles no larger than full sized passenger automobiles or pick-up trucks. Sublessee shall not unreasonably interfere with traffic flow within the parking area and loading and unloading areas of other sublessees.
11. Storage of forklift propane tanks, whether interior or exterior, shall be in secure and protected storage enclosures approved by the local fire department and, if exterior, shall be located in areas specifically designated by Sublessor. Safety equipment, including eye wash stations and approved neutralizing agents, shall be provided in areas used for the maintenance and charging of lead-acid batteries. Sublessee shall protect electrical panels and building mechanical equipment from damage from forklift trucks.
12. Sublessee shall not disturb, solicit or canvas any sublessee of the Building and shall cooperate to prevent same.
13. No person shall go on the roof without Sublessor's permission.
14. No animals, fish or birds of any kind may be brought into or kept in or about the Sublease Premises.

15. Machinery, equipment, and apparatus belonging to Sublessee which cause noise or vibration that may be transmitted to the structure of the Building, to such a degree as to be objectionable to Sublessor or other sublessees or to cause harm to the Building, shall be placed and maintained by Sublessee, at Sublessee's expense, on vibration eliminators or other devices sufficient to eliminate the transmission of such noise and vibration. Sublessee shall cease using any such machinery which causes objectionable noise and vibration which cannot be sufficiently mitigated.
16. All goods, including material used to store goods, delivered to the Sublease Premises of Sublessee shall be immediately moved into the premises and shall not be left in parking or exterior loading areas overnight.
17. Tractor trailers which must be unhooked or parked with dolly wheels beyond the concrete loading areas must use steel plates or wood blocks of sufficient size to prevent damage to the asphalt paving surfaces. No parking or storing of such trailers will be permitted in the parking area or on streets adjacent thereto.
18. Forklifts which operate on asphalt paving areas shall not have solid rubber tires and shall use only tires that do not damage the asphalt.
19. Sublessee is responsible for the safe storage and removal of all pallets. Pallets shall be stored behind screened enclosures at locations approved by the Sublessor. If pallets are stored within the premises, storage shall comply with safe practices as described in [Factory Mutual Loss Prevention Data Sheet 8-24].
20. Sublessee is responsible for the safe storage and removal of all trash and refuse. All such trash and refuse shall be contained in suitable receptacles stored behind screened enclosures at locations approved by Sublessor. Sublessor reserves the right to remove, at Sublessee's expense without further notice, any trash or refuse left elsewhere outside of the Sublease Premises.
21. Sublessee shall not store or permit the storage or placement of goods or merchandise in or around the common areas surrounding the premises. No displays



or sales of merchandise shall be allowed in the parking area or other common areas.

22. [Sublessee shall appoint an Emergency Coordinator who shall be responsible for assuring notification of the local fire department in the event of an emergency, assuring that sprinkler valves are kept open, and implementing the Factory Mutual "Red Tag Alert" system including weekly visual inspection of all sprinkler system valves on or within the Sublease Premises.]

September 26, 1994

Mr. Paul DiMeo  
Program Manager  
IBM Real Estate Services  
International Business Machines Corporation  
355 S. Grand Avenue  
12th Floor  
Los Angeles, 90071-0737

Re: 2130 North Hollywood Way Parking - Letter Agreement  
-----

Dear Paul:

This letter will confirm our understanding that in addition to our parking rights for the above-referenced property as set forth in that certain Sublease Agreement made as of September 26, 1994, ("SUBLEASE") between International Business Machines Corporation, a New York corporation ("SUBLESSOR"), and Teletch Telecommunications, Inc., a California corporation ("SUBLESSEE"), Sublessee has certain additional parking rights:

Until such time as Sublessor has other subtenants occupying the Building, Sublessee has the right to use all the parking spaces available for the Project except for those parking spaces immediately adjacent to the Building shown on the parking plan attached hereto as Parking Exhibit A.

Unless a different meaning is clearly expressed in this Letter Agreement, all terms herein having their initial letters capitalized and used without definition shall have the meaning ascribed to them in the Sublease.

Very truly yours,

Teletch Telecommunications, Inc., a California  
corporation

By: /s/ Kenneth Tuchman

-----  
Kenneth D. Tuchman  
Its: President

Mr. Paul DiMeo  
International Business Machines Corporation  
September 26, 1994  
Page 2

Acknowledged and agreed as of September 26, 1994.

International Business Machines Corporation

By: /s/ Paul Dimeo

-----  
Paul Dimeo, Program Manager  
IBM Real Estate Services

## AGREEMENT

This Agreement is executed this 16th day of March, 1993, by and between 1700 Lincoln Limited, a Colorado limited partnership, whose address for purposes hereof is 1700 Lincoln, Suite 1303, Denver, Colorado 80203 (hereinafter designated "1700"), and TeleTech Telecommunications, Inc., a California corporation, whose address for purposes hereof is 15355 Morrison Street, Sherman Oaks, California 91403 (hereinafter designated "TeleTech California") and TeleTech Teleservices, Inc., a Colorado corporation, whose address is 1700 Lincoln, Suite 1400, Denver, Colorado 80203 (hereinafter designated "TeleTech Colorado"). TeleTech California and TeleTech Colorado are hereafter jointly designated "TeleTech."

## RECITALS:

WHEREAS, 1700 is the Lessor of certain leased premises under that certain Lease Agreement between 1700 as Lessor and Apache Corporation, a Delaware corporation ("Apache"), as Lessee, dated December 4, 1986, and any and all amendments thereto ("Lease"); and

WHEREAS, Apache and TeleTech are entering into a sublease wherein Apache is to be the "Sublandlord" and TeleTech is to be the "Subtenant," an executed copy of which Sublease is attached to this Agreement as Exhibit A ("Sublease"); and

WHEREAS, 1700 and TeleTech as the direct Lessor and the Subtenant desire to memorialize certain direct agreements between 1700 and TeleTech;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein set forth, 1700 and TeleTech hereby agree as follows:

1. SUBLEASE BY 1700. Upon execution and delivery by Apache and TeleTech of the Sublease and this Agreement, 1700 will execute and deliver to Apache the letter attached hereto as Exhibit B.

2. RELOCATION. 1700 hereby agrees that 1700 will not require TeleTech to relocate from the premises demised to it under the Sublease while the Sublease remains in effect nor require TeleTech to relocate from the premises demised to it under the Exhibit C Lease (as defined below) while the Exhibit C Lease is in effect.

3. PARKING.

(a) APACHE ALLOCATION. On the basis of Apache's representations to 1700 as to how many of Apache's permits to park ("parking spaces") in the Garage referred to in the Lease (the "Garage") have heretofore been

assigned to third parties, it is hereby acknowledged that Apache has an allocation of parking spaces under the terms of the Lease on an unassigned basis in excess of 90 parking spaces for use 24 hours a day, seven days a week. It is further acknowledged that 90 of those parking spaces allocated to Apache under the terms of the Lease are hereby allocated to and taken by TeleTech. 1700 and TeleTech agree that the charge per parking space per month for each of those parking spaces shall be \$60.00 or, if greater, 80% of the then current regular charges made from time to time to other tenants of the building ("Building") owned by 1700 which is the subject matter of the Lease, and TeleTech hereby agrees to pay such charges to 1700 in advance on a monthly basis. The only parking spaces which Apache is making available to TeleTech are the 90 referred to above in this subparagraph (a).

(b) ADDITIONAL SPACES. 1700 and TeleTech agree that 1700 shall make available to TeleTech up to an additional 90 parking spaces on an unassigned basis in an area of the Garage to be designated by 1700 for use 24 hours a day, seven days a week. The exact number of such parking spaces shall be as elected in writing by TeleTech from time to time on at least one month's prior notice to 1700. TeleTech hereby agrees to pay to 1700 in advance on a monthly basis the sum of \$27.50 per space for each of such parking spaces. It is also agreed that 1700 from time to time may terminate any or all of these parking spaces on one month's written notice to TeleTech.

(c) ADDITIONAL SPACES FROM 7:00 P.M. TO 6:00 A.M. AND ON SATURDAYS, SUNDAYS AND HOLIDAYS.

(i) Provided that TeleTech has elected by at least one month's prior written notice to 1700, then 1700 further agrees to make available to TeleTech, beginning on September 1, 1993, up to 180 parking spaces, but only on Levels 10 and above of the Garage, on an unassigned basis for use from 7:00 p.m. to 6:00 a.m. (Mountain Standard Time or Mountain Daylight Savings Time, whichever is applicable), Monday through Friday, and 24 hours per day on Saturdays, Sundays and holidays as defined in the Exhibit C lease, at a cost per month, in total, of \$1,000 regardless of how many of said 180 spaces TeleTech uses from time to time. TeleTech hereby agrees to make said payments to 1700 in advance on a monthly basis.

(ii) Provided that TeleTech has elected by at least one month's prior written notice to 1700, then 1700 further agrees to make available to TeleTech, beginning on December 1, 1993 or on the first day of any month

thereafter during the term of the Sublease, up to 300 parking spaces, on the Levels of the Garage and for the hours and on the days set forth above in subparagraph (c)(i), at a cost per month, in total, of \$1,500 regardless of how many of said 300 spaces TeleTech uses from time to time. TeleTech hereby agrees to make said payments to 1700 in advance on a monthly basis. If TeleTech makes the election permitted by this subparagraph (c)(ii) it cannot thereafter revert to the number of spaces referred to in subparagraph (c)(i). Parking spaces taken under this subparagraph (c)(ii) are in lieu of those taken under subparagraph (c)(i) and TeleTech shall then have no further rights under subparagraph (c)(i).

(d) Anything in subparagraphs (c)(i) and (c)(ii) above notwithstanding, TeleTech's rights to the parking spaces therein respectively described are subject to 1700's sole determination from time to time that prudent operation of the Garage permits TeleTech's use of those spaces.

(e) All rights of TeleTech to parking spaces as provided in this paragraph 3 shall remain in effect only so long as the Lease to Apache remains in effect.

4. ALTERATIONS AND PHYSICAL ADDITIONS. No alterations or physical additions shall be made to the premises covered by the Sublease without the prior written consent of 1700. To the extent that Apache has so agreed in writing in the Sublease, such written consent by 1700 to TeleTech shall also constitute 1700's consent to Apache, as Lessee under the Lease, to such alterations or physical additions; provided however that nothing in this paragraph 4 shall relieve or be deemed to relieve such Lessee from any other or further obligation, responsibility, consequence, or liability with respect to or arising out of the making of such alterations or physical additions. Except for the generator and electrical feed discussed below in paragraph 6, all such alterations and physical additions made by TeleTech shall become part of the Building and title thereto shall vest in 1700 as provided in the Lease.

5. NON-DISTURBANCE AND ATTORNMENMENT. It is hereby acknowledged and agreed between 1700 and TeleTech that in the event that the Lease between 1700 as Lessor and Apache as Lessee terminates for any reason including any default thereunder by Apache or any of Apache's subtenants, other than TeleTech, that that certain Lease Agreement, executed between 1700 as Lessor and TeleTech as Lessee, which Lease is attached hereto as Exhibit C (the "Exhibit C Lease"), shall immediately become effective and that TeleTech shall not be disturbed in its rights to occupy the premises which until then were demised to it under the Sublease and

that the relationship between 1700 and TeleTech shall then be direct as set forth in the Exhibit C Lease.

6. GENERATOR.

(a) LOCATION. It is hereby acknowledged that TeleTech will be acquiring a generator, the description of which will be attached hereto as Exhibit D as soon as the same is available. 1700 hereby agrees to allow TeleTech, during the terms of the Sublease and the Exhibit C Lease, to install such generator in the basement of the Building in a place designated by 1700.

(b) MAINTENANCE. TeleTech shall be wholly responsible for the maintenance and repair of the generator and the electrical feed, and 1700 shall have no such responsibility. 1700 shall allow access to the generator at all reasonable times, to be coordinated with 1700 except in the case of an emergency; and in the case of an emergency 1700 shall allow access at any time provided however that in the event of a simultaneous emergency involving the Building, 1700 and its employees and contractors shall have sole access to the area to the extent they deem necessary.

(c) ENGAGEMENT OF MAINTENANCE CONTRACTOR. 1700 may recommend to TeleTech a maintenance contractor or contractors from which TeleTech may at its election select a maintenance contractor to perform maintenance and repair on the generator. In any event, 1700 shall have no responsibility or liability for any damage or injury to the generator or to any other property or to any person, or for any failure of the generator to fulfill the purposes for which it is designed or intended. TeleTech hereby agrees to indemnify 1700 and hold it harmless from all claims for any such damage or injury.

(d) All of the obligations imposed in the Exhibit C Lease on TeleTech with respect to Lessee's fixtures, equipment and personal property shall be applicable also to the generator during the period of the Sublease and during the period of the Exhibit C Lease; provided however that the generator shall not become a part of the Building or the property of 1700 and at the expiration or earlier termination of both the Sublease and the Exhibit C Lease the generator and the electrical feed shall be removed and any damage to the Building shall be repaired, to 1700's satisfaction, all at the expense of TeleTech. The generator and electrical feed may be removed at any time by TeleTech or the person who holds the first lien

thereon under TeleTech on condition that any damage be repaired as provided in the preceding sentence.

7. HVAC. 1700 and TeleTech hereby acknowledge, for HVAC purposes, that normal Building hours, exclusive of holidays, are weekdays from 7:00 a.m. to 6:00 p.m. and Saturdays from 7:00 a.m. to 1:00 p.m. (Mountain Standard Time and Mountain Daylight Savings Time, as applicable). Provided that the same are asked for at least five business days before the end of a month, 1700 shall provide at times other than the aforesaid hours, HVAC at \$7.00 per hour per one-half floor in the summer and \$9.00 per hour per one-half floor in the winter. Air circulation only shall be billed at the rate of \$4.00 per hour per one-half floor. These rates shall be effective through the term of the Sublease, but are subject to adjustment by 1700 if the rate for the entire Building is changed. These rates are also predicated on TeleTech contracting for overtime HVAC in minimum one-month blocks.

Any other requests for HVAC during hours outside of normal Building hours shall be billed at the normal Building rates.

8. TIME OF OPERATION. The provisions of this Agreement shall operate at all times during the term of the Sublease and, as applicable, during the term of the Exhibit C Lease.

9. NOTICES. Notices shall be given to 1700 and TeleTech in the manner and at the addresses set forth for such parties in the Exhibit C Lease. Copies of notices given by 1700 to TeleTech shall also be given as follows:

To: TeleTech Telecommunications, Inc.  
15355 Morrison Street  
Sherman Oaks, California 91403

and

Theodore Z. Gelt  
Suite 2600  
1600 Broadway  
Denver, Colorado 80202-4926

but the giving or receipt of such copies shall not defer or delay the effectiveness of any notice given to TeleTech as described above in the first sentence of this paragraph.

10. CONSTRUCTION. This Agreement shall be construed under and in accordance with the laws of the State of Colorado.

11. NON-MERGER. Notwithstanding anything in the Lease, or the Exhibit C Lease, the terms of this Agreement shall not be merged therewith.



12. TELETECH CALIFORNIA AND TELETECH COLORADO JOINTLY AND SEVERALLY LIABLE. TeleTech California and TeleTech Colorado hereby agree that they are jointly and severally liable for all of the obligations of TeleTech California or of TeleTech Colorado, or of both of them, under this Agreement or under the Exhibit C Lease or under both thereof. Any default or breach by one of them shall be deemed to be the default or breach of both of them.

13. APACHE'S LIABILITY UNDER THE LEASE CONTINUES. Nothing in this Agreement, or in the Sublease attached hereto, or in Exhibit B hereto or in Exhibit C hereto shall relieve or be deemed to relieve Apache from any obligation, responsibility, consequence, or liability under the Lease.

14. LIMITATION OF 1700'S PERSONAL LIABILITY. Apache and TeleTech specifically agree to look solely to 1700's interest in the Building for the recovery of any judgment from 1700 arising out of the Lease, the Sublease, or this Agreement, it being agreed that 1700 (and its partners and shareholders of partners) shall never be personally liable for any such judgment. The provision contained in the preceding sentence is not intended to, and shall not, limit any right that Apache or TeleTech might otherwise have to obtain injunctive relief against 1700 or 1700's successors in interest or any suits or actions in connection with enforcement or collection of amounts which may become owing or payable under or on account of insurance maintained by 1700.

IN WITNESS WHEREOF, this Agreement is executed the 16th day of March, 1993.

1700 LINCOLN LIMITED, a Colorado  
limited partnership

By: HINES COLORADO LIMITED, a  
Colorado limited partnership

By: /s/ Louis S. Sklar

-----  
Gerald D. Hines, a  
General Partner of Hines  
Colorado Limited  
[Louis S. Sklar,  
Attorney-In-Fact  
For Gerald D. Hines]

By: HINES COLORADO CORPORATION, a  
General Partner of Hines  
Colorado Limited

By: /s/ Louis S. Sklar

-----  
Gerald D. Hines,  
President

[Louis S. Sklar,  
Attorney-In-Fact  
For Gerald D. Hines]

TeleTech Telecommunications, Inc., a  
California corporation

By: /s/ Kenneth Tuchman  
-----  
Kenneth Tuchman, President

Attest: /s/ (signature illegible)  
-----  
Secretary

TeleTech Teleservices, Inc., a  
Colorado corporation

By: /s/ Kenneth Tuchman  
-----  
Kenneth Tuchman, President

Attest: /s/ (signature illegible)  
-----  
Secretary

ACCEPTED AND AGREED TO:

Apache Corporation,  
a Delaware corporation

By: /s/ Roger B. Rice  
-----

Attest: /s/ James S. (illegible)  
-----  
Assistant Secretary

STATE OF TEXAS                    )  
                                      ) ss.  
CITY AND COUNTY OF HARRIS )

The foregoing instrument was acknowledged before me this 16th day of March, 1993, by Louis S. Sklar, Power of Attorney for Gerald D. Hines, President of Hines Colorado corporation, a Colorado corporation, in its capacity as general partner of Hines Colorado Limited, a Colorado limited partnership, in turn the general partner of 1700 Lincoln Limited, a Colorado limited partnership.

Witness my hand and official seal.

My commission expires       1-22-95       .  
                                  -----

                  /s/ Deborah Emery  
                  -----  
(SEAL)                   Notary Public

STATE OF TEXAS                    )  
                                      ) ss.  
CITY AND COUNTY OF HARRIS )

The foregoing instrument was acknowledged before me this 16th day of March, 1993, by Louis S. Sklar, Power of Attorney for Gerald D. Hines, a general partner of Hines Colorado Limited, a Colorado limited partnership, in turn the general partner of 1700 Lincoln Limited, a Colorado limited partnership.

Witness my hand and official seal.

My commission expires       1-22-95       .  
                                  -----

(SEAL)                   /s/ Deborah Emery  
                                  -----  
                                  Notary Public

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this 22nd day of February, 1993, by Kenneth Tuchman, President of TeleTech Telecommunications Inc., a California corporation.

Witness my hand and official seal.

My commission expires 4-23-93 .  
-----

/s/ Susan Brown  
-----

(SEAL) Notary Public

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this 22nd day of February, 1993, by Kenneth Tuchman, President of TeleTech Teleservices, Inc., a Colorado corporation.

Witness my hand and official seal.

My commission expires 4-23-93 .  
-----

/s/ Susan Brown  
-----

(SEAL) Notary Public

STATE OF COLORADO                    )  
                                          ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this  
1st day of March, 1993, by Roger B. Rice as Vice President of Apache  
Corporation, a Delaware corporation.

Witness my hand and official seal.

My commission expires           6-26-93           .  
-----

/s/ Susan Garcia  
-----

(SEAL)                                       Notary Public

EXHIBIT "A"

SUBLEASE

THIS SUBLEASE is made and entered into as of January 29, 1993, by and between APACHE CORPORATION, a Delaware corporation ("Sublandlord") and TELETECH TELECOMMUNICATIONS, INC., a California corporation ("TeleTech California") and TELETECH TELESERVICES, INC., a Colorado corporation ("TeleTech Colorado") (TeleTech California and TeleTech Colorado are hereinafter collectively referred to as "Subtenant").

RECITALS

A. Sublandlord, as lessee, has entered into a Lease Agreement (the "Lease Agreement") dated December 4, 1986 with 1700 Lincoln Limited, a Colorado limited partnership, as lessor (hereinafter, "Lessor"), for the lease of certain premises in an office building (the "Building") located on all or parts of Lots 16 through 30, and a portion of Lot 31 (together with those portions of the vacated alley adjacent thereto), Block 30 of H.C. Brown's Addition in the City and County of Denver, Colorado.

B. The Lease Agreement has been amended by a First Lease Amendment dated June 1, 1988, a Second Lease Amendment dated June 21, 1991, and a Third Lease Amendment dated \_\_\_\_\_ 1992 (collectively, the "Lease Amendments").

C. The Lease Agreement, as amended by the Lease Amendments, all of which are attached hereto as EXHIBIT A, are hereinafter collectively referred to as the "Master Lease." The entire premises leased to Sublandlord under the Master Lease is hereinafter referred to as the "Premises."

D. Sublandlord desires to sublease to Subtenant, and Subtenant desires to sublease from Sublandlord a portion of the Premises (the "Subleased Premises," as further defined in this Sublease) on the terms and conditions set forth in this Sublease.

For and in consideration of the foregoing recitals, the mutual promises and covenants of the parties, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublandlord and Subtenant hereby agree as follows:

1. SUBLEASE. Sublandlord hereby leases the Subleased Premises to Subtenant, and Subtenant leases the Subleased Premises from Sublandlord on the terms and conditions set forth in this Sublease.

2. SUBLEASED PREMISES. The "Subleased Premises" shall mean the 44,569 square feet of net rentable area, being all of the 14th and 15th floors of the Building, as depicted on EXHIBIT B to this Sublease.

3. DELIVERY OF SUBLEASED PREMISES. Sublandlord shall deliver possession of the Subleased Premises to Subtenant upon mutual execution of this Sublease and Lessor consenting to this Sublease as provided in paragraph 16. THE SUBLEASED PREMISES SHALL BE DELIVERED ON AN "AS IS" CONDITION, WITHOUT ANY REPRESENTATIONS OR WARRANTIES AS TO ITS CONDITION OR FITNESS FOR A PARTICULAR USE. Sublandlord shall not be obligated to make any alterations or improvements to the Subleased Premises on account of this Sublease.

4. LEASEHOLD IMPROVEMENTS. Subtenant shall construct the improvements (the "Leasehold Improvements") described in the Work Letter attached hereto as EXHIBIT C. The costs of design, construction and installation of the Leasehold Improvements shall be paid as provided in the Work Letter. All Leasehold Improvements constructed pursuant to the Work Letter shall become a part of the Premises, and title to all Leasehold Improvements shall vest in accordance with the Master Lease.

5. TERM. The term of this Sublease will begin as of the date of mutual execution of this Sublease and will terminate on May 31, 1997.

6. BASIC RENT. Subtenant shall pay to Sublandlord as Basic Rent for the Subleased Premises the sum of \$2,446,121.00, payable in advance, without notice, demand, offset or counterclaim, in equal monthly installments of \$54,803.00 due and payable on the first day of each calendar month commencing on September 1, 1993 (the "Sublease Rent Commencement Date") and continuing through May 31, 1997.

The Basic Rent is subject to adjustment based upon the actual cost of Leasehold Improvements and certain delays outside of the control of Subtenant as provided in the Work Letter. If the Basic Rent is so adjusted then, upon the request of either party, Sublandlord and Subtenant shall execute an amendment to this Sublease (in a form to be submitted by Sublandlord) confirming the Basic Rent and the payment schedule for the Basic Rent under this Sublease. If the Sublease Rent Commencement Date is other than the first day of the month or if the term ends on other than the last day of the month, rent shall be appropriately prorated. All rent payable under this Sublease shall be paid to Sublandlord at Sublandlord's address as set forth in this Sublease.

7. ADDITIONAL RENT. During the term of this Sublease, Subtenant shall pay to Sublandlord as and when due under the Master Lease any additional rent which may be due and payable pursuant to the Master Lease which is attributable to the Subleased Premises including, but not limited to:

(a) Any adjustment to Basic Rent which Sublandlord is required to pay pursuant to Article II, Sections 4(d) and (e) of the Master Lease which is attributable to the Subleased



Premises; for purposes of determining increases in "Lessee's Share of Computed Operating Expenses" and "Lessee's Share of Computed Tax Expenses", (i) the Initial Operating Expense Basic Cost and the Initial Tax Basic Cost for the Subleased Premises will be the Actual Operating Expenses and Impositions attributable to the Subleased Premises for the calendar year 1993, and Subtenant shall be obligated to pay additional rent (and payments for estimated increases) based upon increases from such Initial Operating Expense Basic Cost and Initial Tax Basic Cost); and (ii) Subtenant's proportionate share of increases in such expenses for the Building as a whole will be 3.782%, which is based upon dividing the 44,569 square feet of net rentable area of the Subleased Premises by the 1,178,560 square feet of net rentable area of the entire Building (as represented by the Lessor in the Master Lease), provided such percentage shall be subject to adjustment if the area of either the Subleased Premises or the entire Building is modified during the term of this Sublease; and

(b) Any other rent or other sums payable as additional rent under the Master Lease attributable to the Subleased Premises or Subtenant's activities.

Sublandlord shall provide Subtenant with a copy of the statements of Lessee's Share of Computed Operating Expenses Tax Expense which Sublandlord receives from Lessor for calendar year 1993 and each subsequent year during the term of this Sublease. If Sublandlord shall receive any refund or credit for overpayment of Operating Expenses, Impositions or any other additional rent which is attributable to the Subleased Premises and the term of this Sublease, Subtenant shall be entitled to the refund or credit of so much thereof as shall be attributable to prior payments by Subtenant.

8. PARKING. Sublandlord shall make available to Subtenant Sublandlord's right to park 90 automobiles in the Garage. Subtenant shall acquire all such rights directly from Lessor on such terms and conditions and at such monthly rate as agreed upon by Lessor and Subtenant.

9. SERVICES. Sublandlord shall not be obligated to provide any services to Subtenant or repairs or maintenance to the Subleased Premises or the Building; provided, however, upon the reasonable request of Subtenant, Sublandlord shall provide reasonable assistance to Subtenant in enforcing the terms of the Master Lease requiring Lessor to provide services, repairs or maintenance to the Subleased Premises or the Building. Sublandlord shall not be required to incur any out-of-pocket expenses in providing such assistance, and Sublandlord may condition its assistance upon any such expenses being prepaid by Subtenant. The exact nature of the assistance to be provided by Sublandlord shall be determined by Sublandlord, in its reasonable discretion, and

Sublandlord shall not be required to provide assistance in any manner which, in Sublandlord's sole discretion, may adversely affect Sublandlord's relationship with Lessor or otherwise expose Sublandlord or any of its other tenants to risk of injury or other damage. Subtenant's sole source of services shall be Lessor pursuant to the terms of the Master Lease. Sublandlord makes no representations or warranties as to the availability or adequacy of services. Subtenant's covenants to pay rent under this Sublease are separate and independent from any covenant of Sublandlord or Lessor to provide services or other amenities hereunder or Sublandlord's agreement to provide assistance to Subtenant hereunder. Notwithstanding the foregoing, if the Subleased Premises become untenable for seven consecutive business days (Monday through Friday, but excluding Holidays, as defined in the Master Lease) owing to the cessation of services, if Subtenant has provided Sublandlord written notice of such cessation of services and if Sublandlord has received an abatement of rent under the Master Lease with respect to the Subleased Premises because of the cessation of services, then rent shall partially abate under this Sublease after the seven day period. The portion of the rent for which the abatement will be applicable will be all rent exclusive of that portion of the Basic Rent which is applicable to the cost of Leasehold Improvements, as described in the Work Letter. Upon receipt of notice of cessation of services from Subtenant for which Subtenant is entitled to an abatement of rent, Sublandlord shall use good faith efforts in attempting to obtain an abatement of rent under the Master Lease. The abatement under this Sublease shall cease at such time and to the extent Sublandlord is no longer entitled to an abatement of rent under the Master Lease with respect to the Subleased Premises.

10. SIGNAGE. Sublandlord shall cooperate with Subtenant in having Subtenant's name and location of its office placed on the Building directory in the lobby of the Building, its name placed near the elevator on the floor on which the Subleased Premises are located and otherwise in placing a placard designating Subtenant's name, either on the entrance to the Subleased Premises or immediately adjacent thereto. All such signage shall be standard signage for the Building and subject to the approval of Lessor.

11. MASTER LEASE. This Sublease is subject and subordinate to the Master Lease. The provisions of the Master Lease are incorporated into this Sublease as the agreement of Sublandlord and Subtenant and are applicable to this Sublease with the same force and effect as though Sublandlord was landlord under the Master Lease, and Subtenant was tenant under the Master Lease. Subtenant assumes and agrees to make all payments with respect to the Subleased Premises and to perform and be bound by all of Sublandlord's covenants contained in the Master Lease with respect to the Subleased Premises. In the event of any conflict between the terms and provisions of the Master Lease and this Sublease, the

terms and provisions of the Master Lease shall prevail and control.

12. DEFAULT BY SUBTENANT. Subtenant shall not cause or allow to be caused any default under the Master Lease, nor shall Subtenant permit anything to be done which would cause the Master Lease to be terminated or forfeited by reason of any right of termination or forfeiture reserved or vested in Lessor under the Master Lease. In the event of any breach by Subtenant under the Master Lease or this Lease, Sublandlord shall have all the rights against Subtenant as would be available to the landlord against the tenant under the Master Lease if such breach were by the tenant thereunder including, but not limited to, the right to terminate Subtenant's right to possession of the Subleased Premises and any options granted under this Sublease and all other rights upon default as set forth in Article V, Section 8 of the Master Lease.

13. SUBTENANT INDEMNIFICATION. In addition to all other obligations it may have under this Sublease, each Subtenant shall indemnify, defend and hold Sublandlord harmless from and against any losses, liabilities, obligations, damages, costs and expenses (including reasonable attorneys' fees and costs) arising out of any default under the Sublease or the Master Lease caused by either Subtenant or either Subtenant's employees, agents or contractors including, but not limited to, those relating directly or indirectly to either Subtenant remaining in possession of the Subleased Premises beyond the term of this Sublease; provided, however, Subtenant shall have no obligation to indemnify Sublandlord for matters arising out of the default, negligence or willful misconduct of Sublandlord or its employees, agents or contractors.

14. SUBLANDLORD INDEMNIFICATION. Sublandlord shall duly and punctually perform all of its obligations under the Master Lease. Sublandlord shall indemnify, defend and hold Subtenant harmless from and against any and all losses, liabilities, obligations, damages, costs and expenses (including reasonable attorneys' fees and costs) arising out of any default under the Master Lease caused solely by Sublandlord or its employees, agents or contractors; provided, however, Sublandlord shall have no obligation to indemnify Subtenant for matters arising out of the default, negligence or willful misconduct of Subtenant or its employees, agents or contractors.

15. PROCEDURES FOR INDEMNIFICATION. Upon the occurrence of any event giving rise to a claim, demand or other matter for which either party believes the other is required to indemnify, defend or hold harmless under this Sublease, the party requesting indemnification (the "Indemnified Party") shall give written notice to the other party (the "Indemnifying Party"), and shall give the Indemnifying Party a reasonable opportunity to defend the same at its own expense and with counsel of its own selection. The Indemnified Party shall at all times also have the right to fully

participate at its expense in the defense of such matter with counsel of its choosing. If the claim is one that cannot by its nature be defended solely by the Indemnifying Party, the Indemnified Party shall make available all information and assistance that the Indemnifying Party may reasonably request. If the Indemnifying Party shall fail to defend within a reasonable time after demand to do so, the Indemnified Party shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle (exercising reasonable business judgment), the claim or other matter on behalf, for the account and at the risk of the Indemnifying Party.

If Sublandlord is the Indemnifying Party, Sublandlord shall have the right to treat TeleTech California and TeleTech Colorado as if they were a single entity; Sublandlord shall not be required to retain separate counsel for each; and TeleTech California and TeleTech Colorado shall waive any conflict of interest in having a single counsel representing both of them.

If a material conflict of interest exists in having counsel chosen by the Indemnifying Party assume the defense, then the Indemnified Party may appoint independent counsel, subject to the approval of the Indemnifying Party, to represent the Indemnified Party with respect to the issues for which the conflict of interest exists. On all other issues, the independent counsel's participation shall be subject to the direction and lead of the counsel appointed by the Indemnifying Party to assume the defense. The fees charged by the independent counsel shall be limited to reasonable fees, and shall otherwise be consistent with the fee structure and policies of the Indemnifying Party in paying its outside counsel. If for any reason during the course of representation the independent counsel is no longer acceptable to the Indemnifying Party, then the Indemnifying Party may require that substitute counsel be appointed by the Indemnified Party, again subject to the approval of the Indemnifying Party. The Indemnifying Party shall be responsible for such reasonable fees as may be incurred in the transition to such substitute counsel.

16. LESSOR CONSENT. This Sublease is contingent upon Lessor consenting to this Sublease and Subtenant and Lessor entering into an agreement (the "Lessor's Agreement") relating to, among other things, after hours HVAC, parking, nondisturbance and attornment, approval of Construction Drawings and an extended term. Subtenant and Lessor shall look solely to one another for performance of their respective obligations under the Lessor's Agreement, and shall hold harmless Sublandlord with respect to any covenants, agreements, representations or warranties made in the Lessor's Agreement. If Lessor's consent to this Sublease is conditioned and Subtenant and Sublandlord accept such consent notwithstanding such condition, this Sublease shall be subject to the terms of Lessor's consent.

17. CONFIDENTIALITY. Sublandlord and Subtenant hereby covenant and agree that, at all times during the term of this Sublease, unless consented to in writing by the other party, no press release or other public disclosure concerning this Sublease shall be made, and each party agrees not to disclose the terms of this Sublease other than (a) to directors and officers of the parties, and employees, agents and affiliates of the parties who are involved in the ordinary course of business with this transaction, all of whom shall be instructed to comply with the nondisclosure provisions hereof; (b) Lessor and its property manager and their employees, agents and affiliates; (c) in response to lawful process or subpoena or other valid enforceable order of a court or other authority of competent jurisdiction; and (d) in any filings with any governmental authorities required by reason of the transaction provided for in this Sublease. Sublandlord and Subtenant shall have their respective brokers execute confidentiality agreements in which they agree not to disclose the terms of this Sublease.

18. FUTURE ASSIGNMENT OR SUBLEASE. Subtenant shall not assign or otherwise transfer, mortgage, pledge, hypothecate or encumber this Sublease or the Subleased Premises, or any interest therein, and shall not sublet the Subleased Premises or any part thereof, or any right or privilege appurtenant thereof, or permit any other party to occupy the Subleased Premises, or any portion thereof, without the written consent of Sublandlord. Sublandlord may condition its consent upon Lessor also giving its consent. The transfer or agreement to transfer of more than 49% (cumulative taking into account other transfers) of the issued and outstanding shares of stock of either Subtenant, the transfer of all or substantially all of the assets of either Subtenant, or the merger of either Subtenant with another corporation, shall be treated as a sublease or assignment of this Sublease; provided, however, that any public or private offering of the shares of stock of either Subtenant which results in not less than \$500,000 of additional unrestricted cash being contributed to the capital of that Subtenant shall not be considered such an assignment or sublease. Sublandlord may not withhold its consent to any sublease or assignment if the proposed subtenant or assignee provides Sublandlord with satisfactory evidence of net cash flow and net worth in accordance with generally accepted accounting principles consistently applied at least as great as the cash flow and net worth of Subtenant as of the date of this Sublease. Sublandlord's consent to any assignment, transfer or subletting by Subtenant shall not relieve Subtenant from any of its obligations under this Sublease.

19. TENANT ALTERATIONS. Subtenant shall make no alteration, change, improvement, repair, replacement or addition to the Subleased Premises without the prior written consent of Sublandlord unless Lessor has approved or has no right to approve the changes and Subtenant has given Sublandlord prior written notice of such

changes. Subtenant shall provide to Sublandlord copies of any and all plans, specifications, notices and other correspondence delivered by Subtenant to Lessor which relate to Subtenant's request for Lessor's approval hereunder.

20. INSURANCE. Subtenant shall maintain, throughout the term of this Sublease, such policy or policies of insurance with respect to the Subleased Premises as Sublandlord is required to maintain pursuant to the Master Lease including, but not limited to, the policies required pursuant to Article V, Section 11 of the Master Lease. Notwithstanding the policy limits set forth in the Master Lease, Subtenant shall obtain and maintain throughout the term of the Lease comprehensive general and contractual liability insurance against claims for personal injury, death and property damage occurring in or about the Subleased Premises, such insurance to afford protections in limits of not less than \$1,000,000.00 in respect of injury to or death of any number of persons arising out of any occurrence and \$1,000,000.00 in respect of any instance of property damage. The foregoing liability policies shall name Sublandlord and Lessor as an additional insured, shall insure performance of the indemnities of Subtenant contained in this Sublease and shall be primary coverage in the instance of Subtenant's indemnities, so that any insurance coverage obtained by Lessor or Sublandlord shall be in excess thereto. All policies required under this Sublease shall be endorsed to provide a waiver of subrogation as to Sublandlord and Lessor in accordance with the terms of the Master Lease. Subtenant shall from time to time promptly deliver to Sublandlord evidence that all premiums have been paid and all policies are in full force and effect, all in such form as Sublandlord may reasonably request. All policies required under this Sublease shall include an agreement by the insurer that the policy shall not be canceled, terminated, modified or allowed to expire without 15 days' written notice to Sublandlord.

21. HAZARDOUS SUBSTANCES. Subtenant shall not cause or permit any hazardous substances to be used, stored, generated or disposed of on the Subleased Premises by Subtenant or its agents, employees, contractors or invitees. The foregoing shall not apply to the presence, use, storage or disposal of small quantities of hazardous substances that are generally recognized to be appropriate in normal, general office uses. Hazardous substances are those substances or materials defined as toxic or hazardous substances or materials by any environmental law; environmental laws shall mean any federal laws, rules or regulations and the laws, rules and regulations of the jurisdiction in which the Building is located that relate to health, safety or environmental protection.

22. TERMINATION OF MASTER LEASE. Sublandlord shall not do or suffer or permit anything to be done which would constitute a default under the Master Lease or would cause the Master Lease to

be canceled, terminated or forfeited by virtue of any rights of cancellation, termination or forfeiture reserved or vested in the Lessor under the Master Lease. Notwithstanding the foregoing, Sublandlord may voluntarily terminate the Master Lease during the term of this Sublease provided Lessor agrees in writing to treat such termination as an assignment of this Sublease by Sublandlord to Lessor. In the event of any such termination, Subtenant shall be bound to Lessor for the balance of the term of this Sublease as if Lessor were the Sublandlord under this Sublease, Subtenant shall attorn to Lessor as its landlord, Sublandlord shall be released from any liability with respect to such termination and no liability or obligation shall thereafter accrue against Sublandlord with respect to this Sublease. In such event, Subtenant and Lessor may enter into a direct lease which replaces this Sublease, provided there is no adverse economic effect to Sublandlord by reason of the relationship between Lessor and Subtenant being through a direct lease rather than a continuation of this Sublease.

23. ADDITIONAL SPACE. If Subtenant desires to sublease any additional space in the Building from Sublandlord, Subtenant shall give Sublandlord written notice of such desire, and Sublandlord and Subtenant shall attempt to negotiate the terms for the sublease of additional space. The notice shall include a brief description of the space which Subtenant desires to sublease, the proposed commencement date for such sublease and the rental rate which Subtenant is willing to pay. Sublandlord agrees to negotiate with Subtenant but shall be under no obligation to sublease any additional space to Subtenant except on terms acceptable to Sublandlord as set forth in an agreement executed by Sublandlord and Subtenant.

24. GOVERNING LAW. This Sublease shall be governed by and construed in accordance with the laws of the State of Colorado.

25. SEVERABILITY. Should any of the provisions of this Sublease to any extent be held to be invalid or unenforceable, the remainder of this Sublease shall continue in full force and effect.

26. ENTIRE AGREEMENT. Except as provided in the next sentence, this Sublease embodies the entire understanding and agreement among the parties relative to the matters contained herein, and supersedes all prior negotiations, understandings or agreements in regard to the Subleased Premises or the subleasing of the Subleased Premises, whether written or oral including, but not limited to, the nonbinding letter of intent executed by Sublandlord on October 8, 1992 and Subtenant on October 15, 1992. Separate and independent of this Sublease are the following agreements and documents between Sublandlord and Subtenant or otherwise relating to the Subleased Premises which are not superseded by this Sublease: (a) Promissory Note executed by Subtenant for the benefit of Sublandlord; (b) Security Agreement between Sublandlord, as Secured Party, and Subtenant, as Debtor, and any other documents

and instruments now or hereafter executed by Sublandlord or Subtenant relating to the obligations secured thereunder; (c) Nondisclosure Agreement between Sublandlord and Subtenant; (d) the Lessor's Agreement between Lessor and Subtenant; and (e) a letter agreement between Sublandlord and Kenneth Tuchman ("Tuchman"), the sole shareholder of Subtenant, relating to the covenants set forth in paragraph 38 of this Sublease.

27. WAIVER. No provision of this Sublease may be waived, except by an agreement in writing signed by all of the parties hereto. A waiver of any term or provision shall not be construed as a waiver of any other term or provision.

28. HEADINGS. The subject headings used in this Sublease are included for purposes of reference only, and shall not affect the construction or interpretation of any of its provisions.

29. AMENDMENT. This Sublease may be amended, altered or revoked only by written instrument executed by all of the parties.

30. NOTICES. All notices required or permitted by this Agreement shall be in writing and shall be given by personal delivery or sent to the address of the party set forth below by registered or certified mail, postage prepaid, return receipt requested, or by reputable overnight courier, prepaid, receipt acknowledged. Notices shall be deemed received on the earlier of the date of actual receipt or, in the case of notice by mail or overnight courier, the date of receipt marked on the acknowledgment of receipt. Rejection or refusal to accept or the inability to deliver because of change of address of which no notice was given shall be deemed to be received as of the date such notice was deposited in the mail or delivered to the courier.

If to Sublandlord: Apache Corporation  
2000 Post Oak Boulevard, Suite 100  
Houston, TX 77056-4400

Attn: Greg L. Pyles,  
Manager of General Services

With a copy to: Apache Corporation  
2000 Post Oak Boulevard, Suite 100  
Houston, TX 77056-4400

Attn: George J. Morgenthaler, General Counsel



If to TeleTech Colorado (following occupancy of the Subleased Premises):

TeleTech Teleservices, Inc.  
1700 Lincoln Street, Fourteenth Floor  
Denver, CO 80203

If to TeleTech California:

TeleTech Telecommunications, Inc.  
15355 Morrison Street  
Sherman Oaks, CA 91403

With a copy to: Theodore Z. Gelt, Esq.  
Gelt, Fleishman & Sterling, P.C.  
1600 Broadway, Suite 2600  
Denver, CO 80202

If to Tuchman pursuant to paragraph 38:

Kenneth Tuchman  
1700 Lincoln Street, 14th Floor  
Denver, CO 80203

Any party may change its address to which notices should be sent to it by giving the other parties written notice of the new address in the manner set forth in this paragraph.

31. NOTICES FROM LESSOR. Sublandlord and Subtenant shall use good faith efforts to promptly forward to one another copies of any notices applicable to this Sublease or the Subleased Premises which either of them may receive from Lessor under the Master Lease.

32. CONSTRUCTION. All terms used in this Sublease shall have the same meaning as assigned to them in the Master Lease except as otherwise expressly provided herein.

33. FURTHER ACTS. Upon reasonable request from a party hereto, from time to time, each party shall execute and deliver such additional documents and instruments and take such other actions as may be reasonably necessary to give effect to the intents and purposes of this Sublease.

34. ATTORNEYS' FEES. In the event of any litigation or arbitration proceedings between the parties hereto concerning the subject matter of this Sublease, the prevailing party in such litigation or proceeding shall be awarded, in addition to the amount of any judgment or other award entered therein, the costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in the litigation or proceeding.

35. **BINDING EFFECT.** This Sublease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

36. **BROKERS.** Each party represents and warrants to the other that it has not dealt with any real estate broker or finder in connection with this Sublease other than Cushman Realty Corporation and Beitler Commercial Realty Services, both of which shall be compensated by Sublandlord. Each party shall indemnify and hold harmless the other from any loss, claim, damage, obligation, cost or expense, including reasonable attorneys' fees, arising out of any claim made by any other broker or finder claiming by, through or under such party.

37. **AUTHORITY.** Each party represents and warrants unto the other that (a) it is a duly organized and existing legal entity under the laws of the State in which it is organized, and in good standing and authorized to do business in the State of Colorado, (b) it has full right and authority to execute, deliver and perform this Sublease, (c) the person executing this Sublease is authorized to do so, and (d) upon request of Sublandlord, such person executing on behalf of Subtenant will deliver satisfactory evidence of his or her authority to execute this Sublease on behalf of Subtenant.

38. **FINANCIAL COVENANTS.** During the term of this Lease and so long as Subtenant owes any obligation to Sublandlord under this Sublease, each Subtenant covenants and agrees as follows:

(a) Subtenant and Subtenant Affiliates shall keep and maintain accurate books, records and accounts reflecting in accordance with generally accepted accounting principles consistently applied (and consistent with the manner in which Subtenant currently keeps and maintains same) all items of income and expense of Subtenant in connection with its operations and upon request of Sublandlord, shall make such books, records and accounts available to Sublandlord for inspection at the Subleased Premises at all reasonable times (but no more frequently than once per calendar quarter).

(b) Following the end of each of its fiscal years, the chief financial officer of Subtenant will certify and furnish to Sublandlord Subtenant's balance sheet, statement of earnings and statement of cash flow as of the end of and for the preceding fiscal year. All such financial statements shall be prepared consistent with the manner in which Subtenant currently prepares such statements, which is in accordance with generally accepted accounting principles, consistently applied. The financial statements to be provided by Subtenant shall be prepared both internally by Subtenant and externally by Subtenant's certified public accountants (provided that unless Subtenant is otherwise doing so, the

financial statements shall not be required to be audited). The internal statements shall be delivered to Sublandlord within 60 days following the end of each of Subtenant's fiscal years and the external financial statements shall be delivered to Sublandlord within 120 days following the end of each of Subtenant's fiscal years; provided, however, that if there is a delay in the accountants furnishing such external financial statements to Subtenant, then, upon request of Subtenant given prior to the expiration of such 120 day period, Sublandlord will grant Subtenant a reasonable extension within which to furnish the external financial statements, which extension shall not exceed an additional 60 days. Within 45 days following the end of each of its fiscal quarters, Subtenant shall deliver to Sublandlord internal quarterly and year to date financial statements as of the end of the preceding fiscal quarter in the same format as the year end financial statements, except the quarterly statements need not be audited or certified.

(c) From time to time, and not more often than once per calendar quarter, Subtenant shall provide Sublandlord with such further information regarding the business, affairs and financial condition of Subtenant and any Subtenant Affiliate as Sublandlord may reasonably request; provided any such information so requested by Sublandlord must be in the possession or control of Subtenant or any Subtenant Affiliate or within its reasonable abilities to obtain and in a format normally utilized by Subtenant. As a part of providing such information, Subtenant shall make available for conference with representatives of Sublandlord (but not more often than once per calendar quarter), Kenneth Tuchman, and the chief financial officer of Subtenant or any Subtenant Affiliate as Sublandlord may from time to time reasonably request. All such conferences shall be held at the Subleased Premises or such other place and at such reasonable time as mutually agreed upon by Sublandlord and Subtenant.

(d) As a part of the financial statements certified annually in accordance with paragraph 38(b), Subtenant and Tuchman shall each certify in writing to Sublandlord as to the total aggregate payments and distributions made directly or indirectly to Tuchman and all Tuchman Affiliates from Subtenant and all Subtenant Affiliates for the previous fiscal year, itemized in such detail as Sublandlord may reasonably request. As a part of the quarterly financial statements to be delivered pursuant to paragraph 38(b), Subtenant shall also deliver to Sublandlord a similar itemized report within 45 days following the end of each fiscal quarter with quarterly and year to date totals of all such payments and distributions to Tuchman and Tuchman Affiliates, provided the quarterly statements need not be certified.

(e) The total aggregate payments of any kind made by Subtenant and Subtenant Affiliates to Kenneth Tuchman and all Tuchman Affiliates in any fiscal year of Subtenant (or Subtenant Affiliates, as applicable) shall not exceed the total of the following (the "Permitted Payments"):

(i) \$300,000.00, plus

(ii) the product of the total of the highest marginal taxable rates for Federal tax law purposes and state tax laws purposes that applies to Tuchman or the Tuchman Affiliates, as appropriate, and the taxable income required to be included by Tuchman or the Tuchman Affiliates as a result of distributions from Subtenant or operation of the tax law on Subtenant, Subtenant Affiliates, Tuchman and Tuchman Affiliates, as determined for Federal and State income tax purposes, plus

(iii) 20% of the pre-tax income of Subtenant, as determined for federal income tax purposes.

Any payment or other distribution directly or indirectly to Tuchman or Tuchman Affiliates from Subtenant or Subtenant Affiliates, including, but not limited to, the note payable to Tuchman from Subtenant in the original principal amount of approximately \$634,415, shall be debited against the Permitted Payments. Provided Subtenant is not in default of this Sublease, Sublandlord shall not unreasonably withhold its consent to a request from Subtenant and Tuchman to allow payments to Tuchman in excess of the Permitted Payment if (1) Tuchman reinvests such payment (net of income taxes) into either Subtenant, either in the form of capital or loans which are subordinated to the obligations of Subtenant to Sublandlord under this Sublease, or (2) during such times as Subtenant has established to Sublandlord's reasonable satisfaction that Subtenant has and will continue to maintain combined unrestricted cash reserves from operations of not less than the lesser of \$500,000 or the total Basic Rent due under this Sublease, in excess of the combined, known payables and short term liabilities of Subtenant; provided, however, payments to Tuchman and Tuchman Affiliates shall again be restricted without notice from Sublandlord if such minimum unrestricted cash reserves are no longer available. For purposes of this paragraph 38, the term "Subtenant Affiliates" shall mean any entity owned or having common ownership with Subtenant; and the term "Tuchman Affiliates" shall mean Tuchman's spouse, ancestors, lineal descendants; any corporation, partnership or other entity in which Tuchman, his spouse, ancestors or lineal descendants have any interest; or any purchaser or other assignee of any of Tuchman's stock in either TeleTech California or TeleTech Colorado.

(f) If Subtenant fails to fulfill any of the covenants set forth in paragraphs 38(a), (b), (c) or (d), Subtenant

shall be deemed to be in default of such covenant only if the following notice and right to cure periods have been satisfied:

(i) Sublandlord shall give Tuchman and Subtenant written notice of the default and specifics in reasonable detail as to the nature of the alleged default. If any notice of alleged default is not given by Sublandlord in a timely manner, the default shall be deemed waived by Sublandlord. Any waiver under this subparagraph (f) shall not affect any future or ongoing defaults by Subtenant, provided Sublandlord gives notice of such defaults in a timely manner, nor shall such waiver apply to fraud.

A notice of default will be deemed to be given in a timely manner only if given within the following time frames: (1) with respect to an alleged default under subparagraph 38(a), only if the default notice is given within 90 days from the date of any review or inspection of the books and records or if the books and records are not made available for review or inspection, within 90 days from the date of the request for the review or the inspection of the books and records; (2) with respect to an alleged default under subparagraph 38(b), only if the default notice is given within 90 days following the date such financial statement is required to be delivered; (3) with respect to an alleged default under subparagraph 38(c), only if the default notice is given within 90 days following the date the information is given or conference is held, as appropriate, and if the requested information is not made available or the conference is not held, within 90 days from the date Sublandlord requested such information or conference; and (4) with respect to an alleged default under subparagraph 38(d), only if the default notice is not given within 90 days following Sublandlord's receipt of all of the other financial statements required to be delivered under subparagraph 38(b).

(ii) Subtenant shall not be in default if Subtenant cures the default within 30 days following receipt of the written notice of default or, if by the nature of the default it is not reasonable to cure within 30 days, if Subtenant commences to cure within such 30 day period and thereafter diligently and continuously pursues to cure to completion.

The foregoing requirements of notice, right to cure and waiver of default shall apply only to defaults under subparagraphs 38(a), (b), (c) and (d) of this Sublease, and shall not be applicable to any other defaults under this Sublease.

39. SUBTENANT LIABILITY. The obligations of TeleTech California and TeleTech Colorado under this Sublease are joint and several. Any default by one Subtenant under this Sublease shall be deemed to be a default by both Subtenants.

THIS SUBLEASE is executed by the parties as of the date first above written.

SUBLANDLORD:

APACHE CORPORATION,  
a Delaware corporation

By:/s/ R.B. Rice

-----  
Its: Vice President, Human Resources

SUBTENANT:

TELETECH TELECOMMUNICATIONS, INC.,  
a California corporation

By:/s/ Kenneth Tuchman

-----  
Its: President

TELETECH TELESERVICES, INC.,  
a Colorado corporation

By:/s/ Kenneth Tuchman

-----  
Its: President

January 29, 1993

Mr. Kenneth Tuchman  
15355 Morrison Street  
Sherman Oaks, CA 91403

Re: Sublease dated January 29, 1993, between  
Apache Corporation, as Sublandlord, and  
TeleTech Telecommunications, Inc.  
("TeleTech California") and TeleTech  
TeleServices, Inc. ("TeleTech  
Colorado"), as Subtenant, relating to  
the 14th and 15th floors of One Norwest  
Center, Denver, Colorado

Dear Mr. Tuchman:

Apache Corporation ("Apache") has been requested to enter into the referenced Sublease with TeleTech California and TeleTech Colorado (collectively, "Subtenant"), corporations in which you are the sole shareholder. Apache is willing to enter into the Sublease if and only if you confirm the following representations, warranties, covenants and agreements that you have made to Apache:

1. You represent and warrant that you are the sole shareholder of TeleTech California and TeleTech Colorado.
2. Subject only to the notice, cure and waiver provisions set forth in paragraph 38(f) of the Sublease, you unconditionally and irrevocably guaranty the timely payment and performance of all of the obligations, covenants and agreements of the Subtenant as set forth in paragraph 38 of the Sublease.
3. Until all of Subtenant's obligations under the Sublease have been satisfied, you hereby postpone and subordinate to the claims of Apache against either Subtenant any indebtedness owed to you by Subtenant or any Subtenant Affiliate (as defined in the Sublease) or any other claim which you may have against Subtenant or any Subtenant Affiliate in excess of the "Permitted Payments," as defined in the Sublease. You agree not to assign or otherwise transfer any right or claim you may have against either Subtenant or any Subtenant Affiliate unless your successor in interest agrees in writing to the terms set forth in this letter relating to the subordination and postponement.

4. In the event of any failure to cure any default under paragraph 38 of the Sublease for which notice was properly given and for which default was not waived, you shall be personally responsible for and guaranty payment and performance by Subtenant of all of their obligations under the Sublease.

5. You agree to pay all the costs, fees and expenses including, without limitation, reasonable attorneys' fees, which may be incurred by Apache in enforcing your obligations under this letter which shall not be duplicitous of the attorneys' fees incurred in collection against Subtenant under the Sublease.

6. Your obligations in this letter are direct and independent of any obligation of Subtenant to Apache. In the event of your breach of any of the terms in this letter, Apache shall proceed directly and jointly against you and Subtenant to enforce Apache's rights under this letter. Apache may do so without pursuing any other right or remedy available to Apache whatever. Any payment made by Subtenant shall reduce the amount of the recovery to which Apache shall be entitled against you.

7. Your obligations set forth in this letter shall terminate only upon Subtenant performing (or otherwise being released from performance by waiver or otherwise but not by bankruptcy) all of their obligations under the Lease. The terms of this letter shall be binding upon you and your successors and assigns.

8. No circumstance which operates to discharge or to bar, suspend or delay Apache's right to enforce any obligation of either Subtenant (including, but not limited to, the pendency or conclusion of any proceeding under any federal bankruptcy laws or any similar present or future federal or state law) other than both Subtenants performing (or being released from performance including by waiver) all of their obligations under the Sublease, shall have any effect upon the enforceability of any of your obligations to Apache hereunder.

Please confirm your understanding and agreement to be bound by the foregoing representations, warranties, covenants and agreements by executing a copy of this letter in the space provided below. You understand that Apache will be relying upon this letter in entering into the Sublease.



APACHE CORPORATION

By: /s/ R.B. Rice

-----  
Its: Vice President - Human Resources  
-----

Approved and agreed on  
January 29, 1993:

/s/ Kenneth Tuchman

-----  
Kenneth Tuchman

FIRST AMENDMENT TO SUBLEASE

THIS FIRST AMENDMENT TO SUBLEASE ("Amendment") is made and entered into as of February 17, 1993, by and between APACHE CORPORATION, a Delaware corporation ("Sublandlord"), and TELETECH TELECOMMUNICATIONS, INC., a California corporation and TELETECH TELESERVICES, INC., a Colorado corporation ("Subtenant").

RECITALS

A. Sublandlord and Subtenant have entered into a Sublease dated as of January 29, 1993 relating to the 14th and 15th floors of the One Norwest Center building, Denver, Colorado (the "Sublease").

B. Sublandlord and Subtenant desire to amend the Sublease on the terms and conditions set forth in this Amendment.

FOR AND IN CONSIDERATION of the foregoing recitals, the mutual promises and covenants of the parties and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublandlord and Subtenant hereby agree as follows:

1. AMENDMENT. Paragraph 21 of the Sublease shall be amended by deleting that entire paragraph and replacing it with the following:

21. HAZARDOUS SUBSTANCES. Subtenant shall not cause or permit any hazardous substances to be used, stored, generated or disposed of on the Subleased Premises by Subtenant or its agents, employees, contractors or invitees. The foregoing shall not apply to the presence, use, storage or disposal of small quantities of hazardous substances that are generally recognized to be appropriate in normal, general office uses, provided that such presence, use, storage and disposal are lawful under all environmental laws. Hazardous substances are those substances or materials defined as toxic or hazardous substances or materials by any environmental law; environmental laws shall mean any federal laws, rules or regulations and the laws, rules and regulations of the jurisdictions in which the Building is located that relate to health, safety or environmental protection.

2. NO FURTHER AMENDMENTS. Except as set forth in this Amendment, the Sublease shall remain in full force and effect, without any change or modification whatsoever.

THIS FIRST AMENDMENT TO SUBLEASE is executed by the parties as of the date first above written.

SUBLANDLORD:

APACHE CORPORATION,  
a Delaware corporation

By:/s/ R.B. Rice  
-----  
Its:Vice President  
-----

SUBTENANT:

TELETECH TELECOMMUNICATIONS, INC.,  
a California corporation

By:/s/ Kenneth Tuchman  
-----  
Its:President  
-----

TELETECH TELESERVICES, INC.,  
a Colorado corporation

By:/s/ Kenneth Tuchman  
-----  
Its:President  
-----

## SECOND AMENDMENT TO SUBLEASE

THIS SECOND AMENDMENT TO SUBLEASE ("Amendment") is made and entered into as of 1-21, 1994, by and between APACHE CORPORATION, a Delaware corporation ("Sublandlord"), and TELETECH TELECOMMUNICATIONS, INC., a California corporation, ("Teletech California") and TELETECH TELESERVICES, INC., a Colorado corporation, ("Teletech Colorado") (Teletech California and Teletech Colorado and hereinafter referred to as "Subtenant").

### RECITALS

C. Sublandlord and Subtenant have entered into a Sublease dated as of January 29, 1993 and a First Amendment to Sublease dated February 17, 1993 (as amended, the "Sublease"), relating to approximately 44,569 square feet of net rentable area, on the 14th and 15th Floors of the One Norwest Center, Denver, Colorado (the "Building").

D. Subtenant has requested from Sublandlord the right to use on a temporary basis approximately 6,000 square feet located on the 36th floor of the Building which Sublandlord currently subleases from Enserch Corporation ("Enserch").

E. Sublandlord desires to allow Subtenant to use such space, defined in the amendment as the "Temporary Space," on the terms and conditions set forth in this Amendment and subject to the terms of the consent of Enserch attached hereto as EXHIBIT B ("Enserch Consent").

FOR AND IN CONSIDERATION of the foregoing recitals, the mutual promises and covenants of the parties and other good and valuable consideration, Sublandlord and Subtenant hereby agree as follows:

1. CONSENT TO USE. Sublandlord hereby consents to Subtenant using the Temporary Space on the terms and conditions set forth in this Amendment.

2. TEMPORARY SPACE. The "Temporary Space" shall mean the approximately 6,000 square feet of net rentable area which is that portion of the 36th floor of the Building as depicted on EXHIBIT A to this Amendment.

3. USE OF SPACE. Subtenant shall use the Temporary Space solely for training and recruiting purposes in connection with its TCI project and for no other purposes.

4. CONDITION OF SPACE. THE TEMPORARY SPACE SHALL BE MADE AVAILABLE TO SUBTENANT ON AN "AS IS" CONDITION WITHOUT ANY REPRESENTATIONS OR WARRANTIES AS TO ITS CONDITION OR FITNESS FOR A PARTICULAR USE. Sublandlord shall not be obligated to make any alterations or improvements to the Temporary Space.

5. TERM. The right to use the Temporary Space shall begin as of the date of mutual execution of this Amendment and shall terminate on May 31, 1994.

6. BASIC RENT. Subtenant shall pay to Sublandlord as additional Basic Rent the sum of five hundred dollars (\$500.00) per month or any part thereof that Subtenant uses any of the Temporary Space.

7. ADDITIONAL RENT. During the term of this Amendment, Subtenant shall pay to Sublandlord, as and when due under the Master Lease or the Enserch Sublease, any additional rent or other sums which may be due and payable by Sublandlord pursuant to the Master Lease or the Enserch Sublease which is attributable to the Temporary Space or Subtenant's activities thereon, including, but not limited to any rental and other payments which Sublandlord may be required to pay under the Master Lease or the Enserch Sublease by reason of Subtenant remaining in the possession of the Temporary Space after the expiration of the term of the Enserch Sublease. The payment of any holdover rent and liquidated damages shall be in addition to, and not in lieu of, any other rights that Sublandlord shall have by reason of such default.

8. SERVICES. Sublandlord shall not be obligated to provide any services, repairs or maintenance to the Temporary Space. Subtenant's sole source of such services shall be Lessor and Enserch pursuant to the terms of the Master Lease and the Enserch Sublease, respectively. Subtenant shall contract directly with Lessor in the scheduling and payment for any after-hours air conditioning for the Temporary Space. Any requests for correction of deficiencies of services provided to the Temporary Space shall be made by Subtenant to Sublandlord in the same manner as provided for the Subleased Premises as set forth in the Sublease.

9. MASTER LEASE AND ENSERCH LEASE. Subtenant's right to use the Temporary Space is subject and subordinate to the terms of the Master Lease and the Enserch Sublease. In consideration of the below market rent being paid for the Temporary Space, Subtenant's sole recourse against Sublandlord with respect to the Temporary Space or under this Amendment is to the interest of Sublandlord in the Temporary Space. Subtenant shall not have any right to satisfy any judgment which it may have against Sublandlord with respect to the Temporary Space or this Amendment from any other assets of Sublandlord.

10. ALTERATIONS. Subtenant shall make no alteration, change, improvement, repair, replacement or addition to the Temporary Space without the prior written consent of Sublandlord which consent may be withheld for any reason. Subtenant may install certain voice/data cabling in and to the Temporary Space, provided that all such installation work shall comply with the terms of the Sublease,

Master Lease and the Enserch Sublease and shall have been approved by the Lessor and Enserch, as applicable.

11. OBLIGATIONS ASSUMED. Subtenant acknowledges that pursuant to the Enserch Consent, Sublandlord's grant to Subtenant of the right to use the Temporary Space does not constitute a sublease of the Temporary Space to Subtenant. Subtenant hereby expressly waives any claims that it is subleasing the Temporary Space from Sublandlord and agrees that Subtenant's rights to use of the Temporary Space shall be strictly limited to the rights granted in this Amendment. Notwithstanding that Subtenant's rights are limited to the right to use the Temporary Space, Subtenant's obligations with respect to the Temporary Space shall be the same as if the Temporary Space was included within the definition of the Subleased Premises during the term of this Amendment. These obligations include, but are not limited to, the obligations to indemnify, to maintain confidentiality, to maintain minimum levels and types of insurance, not to sublease or assign, not to permit any hazardous substances and not to suffer or permit any default under the Master Lease or the Enserch Sublease or cause any cancellation, termination of forfeiture of either of such leases.

12. LESSOR CONSENT. This Amendment and all of the rights of Subtenant to use the Temporary Space are subject to Lessor giving it written consent to the terms of this Amendment.

13. DEFINED TERMS. Except as otherwise provided in this Amendment, all capitalized terms used in this Amendment shall have the same meaning as assigned to them in the Sublease.

14. ENTIRE AGREEMENT. This Amendment embodies the entire understanding and agreement among the parties relative to the matters contained herein, and supersedes all prior negotiations, understandings or agreements in regard thereto, whether written or oral, including, but not limited to, a Letter of Intent dated January 4, 1994 from Kenneth D. Tuchman, on behalf of Subtenant, and Gregory L. Pyles, on behalf of Sublandlord.

15. NO FURTHER AMENDMENT. Except as provided in this Amendment, the Sublease shall remain in full force and effect, without any amendment or modification whatsoever.

THIS SECOND AMENDMENT TO SUBLEASE is executed by the parties as of the date first above written notwithstanding date of actual execution.

SUBLANDLORD:

APACHE CORPORATION,  
a Delaware corporation

By:/s/ (illegible)  
-----  
Its:Manager, General Services  
-----

SUBTENANT:

TELETECH TELECOMMUNICATIONS, INC.,  
a California corporation

By: /s/ Kenneth Tuchman  
-----  
Its:  
-----

SUBTENANT:

TELETECH TELESERVICES, INC.,  
a California corporation

By: /s/ Kenneth Tuchman  
-----  
Its:  
-----

EXHIBIT A  
TEMPORARY SPACE

[MAP OF PREMISES COVERED BY SECOND AMENDMENT TO SUBLEASE]



EXHIBIT B  
ENSERCH CONSENT

[omitted from original document]

## SECOND AMENDMENT TO SUBLEASE

THIS SECOND AMENDMENT TO SUBLEASE ("Amendment") is made and entered into as of October 5, 1995, by and between APACHE CORPORATION, a Delaware corporation ("Sublandlord") and TELETECH TELECOMMUNICATIONS, INC., a California corporation, and TELETECH TELESERVICES, INC., a Colorado corporation (collectively, "Subtenant").

### RECITALS

A. Sublandlord and Subtenant have entered into a Sublease dated as of January 29, 1993, relating to the 14th and 15th Floors of the One Norwest Center (the "Building"), Denver, Colorado, and a First Amendment to Sublease dated February 17, 1993 (as amended, the "Sublease"), the premises thereunder being defined in the Sublease as the "Subleased Premises."

B. The parties have agreed to an expansion of the Subleased Premises on the terms and conditions set forth in this Sublease.

FOR AND IN CONSIDERATION of the foregoing Recitals, the mutual promises and covenants of the parties and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublandlord and Subtenant hereby agree as follows:

1. EXPANSION PREMISES. The "Subleased Premises" shall be amended to include the 4,427 square feet of net rentable area, being a portion of the 17th Floor of the Building as depicted on Exhibit A to this Amendment. This additional 4,427 square feet of net rentable area is sometimes referred to in this Amendment as the "Expansion Premises." The total net rentable area of the Subleased Premises, including the Expansion Premises, is agreed to be 48,996 square feet.

2. TERM. The Expansion Premises shall be deemed to be a part of the Subleased Premises effective as of the date of mutual execution of this Amendment and will continue as a part of the Expansion Premises through August 31, 1996 (the "Expansion Premises Termination Date"), subject to Subtenant's option to extend the term with respect to the Expansion Premises, as provided in this Amendment. Subtenant shall vacate and quit the Expansion Premises on the Expansion Premises Termination Date.

3. BASIC RENT. The Basic Rent for the Subleased Premises is hereby increased by \$44,270. The increased Basic Rent shall be paid by increasing the monthly installments of Basic Rent under the Sublease by \$4,427 comencing with the installment due November 1, 1995, and continuing on the first day of each calendar month through the Expansion Premises Termination Date.

4. ADDITIONAL RENT. For purposes of calculating the Additional Rent due with respect to the Expansion Premises (both during the initial term and the option term if the Expansion

Premises Option is exercised), the Initial Operating Expense Basic Cost and the Initial Tax Basic Cost for the Expansion Premises will be the Actual Operating Expenses and Impositions attributable to the Expansion Premises for the calendar year 1995.

5. DELIVERY OF EXPANSION PREMISES. Sublandlord shall deliver possession of the Expansion Premises to Subtenant upon mutual execution of this Amendment. THE EXPANSION PREMISES SHALL BE DELIVERED ON AN "AS IS" CONDITION, WITHOUT ANY REPRESENTATIONS AND WARRANTIES AS TO ITS CONDITION OR FITNESS FOR A PARTICULAR USE. Sublandlord shall not be obligated to make any alterations or improvements to the Expansion Premises. Any improvements that Subtenant may desire to construct on the Expansion Premises shall be subject to approval by Sublandlord and all of the other terms and conditions of the Sublease.

6. OPTION TO EXTEND EXPANSION PREMISES TERM. Subtenant is hereby granted an option to extend the term of the Sublease with respect to the Expansion Premises (the "Expansion Premises Option") beyond the Expansion Premises Termination Date, in accordance with the following terms and conditions:

(a) Subtenant shall exercise the Expansion Premises Option, if at all, by giving written notice of exercise to Sublandlord on or before July 15, 1996.

(b) The right of Subtenant to exercise the Expansion Premises Option shall be subject to there being no event of default by Subtenant existing under the Sublease at the time of exercise.

(c) Upon an effective exercise of the Expansion Premises Option, (i) the Subleased Premises shall continue to include the Expansion Premises through May 31, 1997, at which time the Sublease terminates as to all of the Subleased Premises; (ii) the Basic Rent shall be increased by an additional \$39,843 which amount shall be paid by Subtenant continuing to pay the increase in the monthly installments of Basic Rent of \$4,427 on the first day of each calendar month through May 31, 1997; and (iii) the Expansion Premises will continue to be subleased on an "AS IS" basis, without any representations or warranties as to the condition or fitness for a particular use, and Sublandlord shall not be required to make any alterations or improvements to the Expansion Premises.

7. TUCHMAN CONSENT. This Amendment is contingent upon Kenneth Tuchman consenting to its terms.

8. DEFINED TERMS. Except as otherwise provided in this Amendment, all capitalized terms used in this Amendment shall have all of the same meanings as assigned to them in the Sublease.

9. STATUS OF SUBLEASE. Subtenant hereby acknowledges that, as of the date of this Amendment, there are no known defaults by Sublandlord under the Sublease or any facts or circumstances which, but for the giving of notice or lapse of time, will constitute a default by Sublandlord under the Sublease.

10. NO FURTHER MODIFICATION. Except as provided in this Amendment, the Sublease shall remain in full force and effect, without any amendment or modification whatsoever.

THIS SECOND AMENDMENT TO SUBLEASE is executed by the parties as of the date first above written.

SUBTENANT:	SUBLANDLORD:
TELETECH TELECOMMUNICATIONS, INC., a California corporation	APACHE CORPORATION, a Delaware corporation
By:/s/ Joseph D. Livingston -----	By:/s/ (illegible) -----
Its:SRVP/COO -----	Its:Dir. Gen SVCS -----
TELETECH TELESERVICES, INC., a Colorado corporation	
By: /s/ Joseph D. Livingston -----	
Its:SRVP/COO -----	

CONSENT OF KENNETH TUCHMAN

Kenneth Tuchman hereby consents to the foregoing Second Amendment to Sublease, agrees to continue to be bound by the terms of the Letter Agreement dated January 29, 1993, between Kenneth Tuchman and Apache Corporation, and further agrees that the terms of such Letter Agreement will not be affected by the terms of the foregoing Second Amendment to Sublease.

DATED October 23, 1995.

/s/ Kenneth Tuchman  
-----  
Kenneth Tuchman

EXHIBIT A  
DESCRIPTION OF EXPANSION PREMISES

MASTER LEASE

ONE UNITED BANK CENTER

LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into this 4th day of December, 1986 by and between 1700 LINCOLN LIMITED, a Colorado limited partnership, whose address for purposes hereof is 1700 Lincoln, Suite 1303, Denver, Colorado 80203 (hereinafter called "Lessor"), and APACHE CORPORATION, a Delaware corporation, whose address for purposes hereof is 1700 Lincoln, Suite 4800, Denver, Colorado 80203 (hereinafter called "Lessee");

W I T N E S S E T H:

I

1. LEASED PREMISES. Subject to and upon the terms, provisions and conditions hereinafter set forth, and each in consideration of the duties, covenants and obligations of the other hereunder, Lessor leases to Lessee and Lessee leases from Lessor those certain premises in the building (hereinafter sometimes called the "Building") presently constructed by Lessor on all or a part of Lots 16 through 30 and a portion of Lot 31 (together with those portions of the vacated alley adjacent thereto), Block 30 of H. C. Brown's Addition in the City and County of Denver, Colorado (hereinafter sometimes called the "Land"), such premises being more particularly described as follows:

(a) INITIAL TEMPORARY SPACE. The "Initial Temporary Space" shall consist of approximately 20,000 square feet of net rentable area on the 29th floor of the Building and at a location on such floor to be determined by Lessor.

(b) SECONDARY TEMPORARY SPACE. The "Secondary Temporary Space" shall consist of approximately 10,000 square feet of net rentable area on a floor and at a location on such floor within the Building to be determined by Lessor, which may or may not be contiguous to the Initial Temporary Space.

(c) PERMANENT SPACE. The "Permanent Space" shall consist of approximately 159,447 square feet of net rentable area on those floors within the Building indicated below and at the locations shown on the floor plans attached hereto as EXHIBIT A.

Floor -----	Net Rentable Area -----
15	22,144 sq. ft.
16	22,891 sq. ft.
17	22,828 sq. ft.
18	23,053 sq. ft.
20	23,053 sq. ft.
19	23,053 sq. ft.
14	22,425 sq. ft.

The Initial Temporary Space and the Secondary Temporary Space shall sometimes be collectively referred to as the "Temporary Space." That portion of the Permanent Space located on floors 15, 16, 17, 18 and 20 of the Building shall sometimes be collectively referred to herein as the "Initial Permanent Space." The term "leased premises" shall include the Temporary Space (so long as it is subject to this lease), the Permanent Space and any additional premises within the Building hereafter included in this lease pursuant to the terms hereof or any addendum or amendment thereto.

The term "net rentable area", as used herein, shall refer to (i) in the case of a single tenancy floor, all floor area measured from the inside surface of the outer glass line of the Building excluding only the areas ("service areas") used for building stairs, fire towers, elevator shafts, flues, vents, stacks, pipe shafts and vertical ducts (which service areas shall be measured from the midpoint of walls enclosing such service areas), but including any such service areas which are for the specific use of the particular tenant such as special stairs or elevators, plus an allocation of the square footage of the Building's elevator, machine rooms, main mechanical and electrical rooms and public lobbies (all of such areas being called the "general common areas"), and (ii) in the case of a floor to be occupied by more than one tenant, all floor areas within the inside surface of the outer glass line enclosing the leased premises and measured to the mid-point of the walls separating areas leased by or held for lease to other tenants or from areas devoted to corridors, elevator foyers, rest rooms, mechanical rooms, janitor closets and other similar facilities for the use of all tenants on the particular floor (hereinafter sometimes called "common areas"), and excluding service areas as aforesaid, but including a proportionate part of the common areas located on such floor based upon the ratio which the tenant's net rentable area (excluding common areas) on such floor bears to the aggregate net rentable area (excluding common areas) on such floor, plus an allocation of the square footage of the general common areas. No deductions from net rentable area shall be made for columns or projections necessary to the Building. The net rentable areas in the Initial Temporary Space, the Secondary Temporary Space and the Permanent Space have been calculated on the basis of the foregoing definition and are hereby stipulated for all purposes hereof to be the square footages set forth in subparagraphs (a), (b) and (c) above, whether the same

should be more or less as a result of minor variations resulting from actual construction and completion of the leased premises for occupancy.

2. PRIOR LEASE. Lessor and Lessee entered into a Lease Agreement dated May 4, 1984 (together with Schedules 1 and 2, Exhibits A, A-1 and B, Rider No. 1, and Addendum to Lease Agreement), as amended by a First Lease Amendment dated May 22, 1985 (together with Exhibits C and D attached thereto), a Lease Agreement Amendment dated June 24, 1985, and a Second Lease Amendment dated October 14, 1985 (together with Exhibit C attached thereto) (collectively, the "Prior Lease"), covering and relating to 62,905 square feet of net rentable area on the 28th, 45th, 48th and 49th floors of the Building (the "Existing Space"). Lessee shall vacate the Existing Space and the Prior Lease shall terminate and no longer be of any force or effect when the Commencement Dates (as defined below) shall have occurred for the first three floors of the Initial Permanent Space. If the Commencement Dates for the first three floors of the Initial Permanent Space shall vary, Lessee shall vacate the Existing Space and the Prior Lease shall terminate on a floor by floor basis as of the Commencement Dates as each shall occur. In the event that such a floor by floor transition is necessary, Lessee shall have the right to elect the order in which it shall vacate floors 45, 48 and 49 of the Existing Space, and Lessee shall vacate the Existing Space located on floor 28 on the same date as Lessee is to vacate the last of these full floors. The termination of the Prior Lease shall not release either party from any obligations under the Prior Lease which had accrued prior to the date of termination or from any obligations which would otherwise survive termination of the Prior Lease.

## II

1. TERM. (a) Subject to and upon the terms and conditions set forth herein, or in any exhibit, addendum or rider hereto, this lease shall continue in force for the following terms:

(b) INITIAL TEMPORARY SPACE. The term of this lease for the Initial Temporary Space shall commence on October 31, 1986, or the Lessee's actual occupancy of the Initial Temporary Space, whichever is earlier (the "Initial Temporary Space Commencement Date"), and shall terminate on Lessee's vacation of the Initial Temporary Space, which shall occur no later than thirty (30) days after the Commencement Date for any of the floors comprising the Initial Permanent Space.

(c) SECONDARY TEMPORARY SPACE. The term of this lease for the Secondary Temporary Space shall commence on December 1, 1986, or Lessee's actual occupancy of the Secondary Temporary Space, whichever is earlier (the "Secondary Temporary Space Commencement Date"), and shall terminate on Lessee's vacation of the Secondary Temporary Space, which shall occur no later than



thirty (30) days after the Commencement Date for any of the floors comprising the Initial Permanent Space.

(d) PERMANENT SPACE. The term of this lease for the Permanent Space shall commence on differing dates, dependent on the floor of the Building on which the Permanent Space is located. Subject to adjustment in accordance with Item 6 of the Addendum to the Lease Agreement attached hereto (the "Addendum"), the commencement dates for the respective floors comprising the Permanent Space shall be the dates listed below, or the dates on which Lessee actually occupies such space, whichever is earlier (the "Commencement Dates").

Floor -----	Commencement Date -----
15	May 15, 1987
16	May 15, 1987
17	May 15, 1987
18	May 15, 1987
20	May 15, 1987
19	June 1, 1987
14	July 1, 1987

The term of this lease for the entire Permanent Space shall end on May 31, 1997. The terms of the lease periods set forth above for the floors comprising the Permanent Space shall commence on their respective Commencement Dates, which dates shall be subject to adjustment in accordance with Item 6 of the Addendum, regardless of whether the Lessee actually occupies the premises on such dates.

2. USE. The leased premises are to be used and occupied by Lessee solely for general office purposes. Without limiting the generality of the foregoing, the leased premises shall not be used for any activity which would tend to lower the first-class character of the Building. Lessee shall have the same rights to use of the public areas of the Building and of the Land as have the other tenants of the Building, including access through the lobby and use of the elevators and elevator foyers in the lobby area, and any other floor which Lessee shares in common with other tenants, of the corridors, elevator foyers and rest rooms thereon.

3. RENT. (a) Lessee hereby agrees to pay a base annual rental (herein called "Basic Rent"), in the following amounts:

(1) TEMPORARY SPACE. Lessee shall pay Lessor Basic Rent for the Temporary Space equal to the sum of Five Dollars and Seventy-five Cents (\$5.75) per square foot of net rentable area per year, commencing for the Initial Temporary Space on the Initial Temporary Space Commencement Date and for the Secondary Temporary Space on the Secondary Temporary Space Commencement Date.

(2) PERMANENT SPACE. Lessee shall pay Lessor Basic Rent for the Permanent Space equal to the sum of Seventeen Dollars and Fifty-five Cents (\$17.55) per square foot of net rentable area per year (which includes the "Initial Tax Basic Cost," and the "Initial Operating Expenses Basic Cost" as defined below), commencing for the respective floors comprising the Permanent Space on their respective Commencement Dates.

Lessee shall also pay, as additional rent, all such other sums of money which become due from and payable by Lessee to Lessor under this lease. Lessor shall have the same remedies for default in the payment of additional rent as are available to Lessor in the case of a default in the payment of Basic Rent. The Basic Rent, together with any adjustment of rent provided for herein then in effect (including but not limited to the adjusted Basic Rent described in Paragraphs 4(a), 4(d) and 4(e) of this Article II), shall be due and payable in twelve (12) equal installments on the first day of each calendar month during the initial term of this lease and any extensions or renewals thereof, and Lessee hereby agrees to so pay such rent to Lessor at Lessor's address as provided herein (or such other address as may be designated by Lessor from time to time) monthly in advance, without demand, counterclaim or set-off, except as provided in Paragraph 1(c) of Article III hereof and Item 5 and Item 6 of the Addendum. If the Initial Temporary Space Commencement Date, the Secondary Temporary Space Commencement Date or any of the Commencement Dates are other than the first day of a calendar month, or the term for occupation of any of the leased premises terminates on other than the last day of a calendar month, then the installments of Basic Rent Initial Operating Expenses Basic Cost and Initial Tax Basic Cost for such month or months shall be prorated and the installment or installments so prorated shall be paid in advance. All installments of any sums due by Lessee to Lessor which are not paid within ten (10) calendar days after the same were due hereunder shall bear interest from the date the same were due until paid at a rate per annum until paid equal to the prime rate (hereinafter called the "Prime Rate") charged by Norwest Bank Minneapolis N.A. (or its successor) from time to time to its most credit-worthy corporate borrowers.

#### 4. RENT ADJUSTMENTS.

(a) Lessee shall have the election to have Lessor share in the expense of continuing to lease the Minneapolis Space as set forth in Item 5 of the Addendum to Lease Agreement attached hereto. In the event that Lessee shall elect to exercise this option in accordance with that provision, the Basic Rent for the Permanent Space set forth in Paragraph 3(a)(2) above shall be adjusted upward to \$18.55 per square foot of net rentable area.

(b) "Actual Operating Expenses" shall mean all of Lessor's operating expenses incurred in the operation and

maintenance of the Building and the Land and related facilities and such facilities added in subsequent years as may be determined by Lessor to be necessary or reasonable. Operating expenses will be computed on the accrual basis and in accordance with the terms of this lease. The term "operating expenses" shall include all expenses, costs and disbursements (except for "Impositions" as defined below) of every kind and nature which Lessor shall pay or become obligated to pay because of or in connection with the ownership and operation of the Building and the Land, including but not limited to, the following:

(1) Wages and salaries of all employees engaged in the operation and maintenance of the Building (except that as to employees engaged only part-time in the operation and maintenance of the Building, such wages and salaries shall be included only to the extent that the same are attributable to said operation and maintenance), including personnel for security or who may provide traffic control relating to ingress and egress to and from the parking facilities serving the Building to the adjacent public streets. All taxes, insurance and benefits relating to employees providing these services shall be included.

(2) All supplies and materials used in the operation and maintenance of the Building.

(3) Cost of all utilities for the Building, including, but not limited to, the cost of water, power, heating, lighting, air conditioning and ventilating (excluding those costs billed to specific tenants).

(4) Cost of all maintenance and service agreements for the Building and the equipment therein, including, but not limited to, security service, window cleaning, elevator maintenance and janitorial service.

(5) Cost of all insurance relating to the Building, including, but not limited to, the cost of casualty, rental abatement and liability insurance applicable to the Building and Lessor's personal property used in connection therewith.

(6) Cost of repairs and general maintenance (excluding repairs and general maintenance paid by proceeds of insurance or by Lessee or other third parties, and alterations attributable solely to tenants of the Building other than Lessee).

(7) Amortization of the cost of capital investment items which are primarily for the purpose of reasonably reducing operating costs, except that the amount of such amortized cost, for each capital investment item, which is included each year in operating expenses shall not exceed the reduction in

operating costs for that year attributable to such capital investment item or Lessor's reasonable estimate of such reduction if the exact reduction cannot be determined; and amortization of the cost of capital investment items which may be required by governmental authority, but only to the extent that such governmental requirement was not in effect on the date that both Lessor and Lessee have executed this lease. All such costs shall be determined and amortized over the reasonable life of the capital investment items in accordance with generally accepted accounting principles. In no event shall such amortization period extend beyond the reasonable life of the Building.

(8) Lessor's central office accounting costs applicable to the Building.

(9) The Building's share of all the expenses described in (1) through (8) to the extent incurred for or in connection with the bridge across Lincoln Street (which share is one-half) or any tunnels or bridges connecting the Building to any parking facility serving the Building.

(10) A contribution (the "Management Fee Contribution") towards a management fee payable to the manager of the Building, said contribution to be at all times equal to three percent (3%) of the Basic Rent (as the same may be adjusted from time to time) and of the Lessee's Share of Computed Operating Expenses (less Initial Operating Expenses Basic Cost, the same being included in the Basic Rent) and the Lessee's Share of Computed Tax Expenses (less Initial Tax Basic Cost, the same being included in the Basic Rent) as described below (but excluding the Management Fee Contribution).

The term "operating expenses" shall not include (i) depreciation on the Building or interest or principal payments on any mortgage or deed of trust now or hereafter on the Building and/or the Land; (ii) expenses directly resulting from the negligence of Lessor or its agents, servants or employees; (iii) legal fees, space planners' fees, real estate brokers leasing commissions and advertising expenses incurred in connection with the original development or original leasing of the Building or future releasing of the Building; (iv) any bad debt loss, rent loss or reserves for bad debts or rent loss; (v) costs associated with the operation of the business of the corporation, partnership or other entity which constitutes Lessor as the same are distinguished from the costs of operation of the Building, including formation, internal accounting and legal matters, costs of defending any lawsuits with any mortgagees of the Building and/or the Land (except as the actions of Lessee may be an issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Lessor's interest in the Building, costs of any disputes between

Lessor and its employees (if any) not engaged in Building management or operation or outside fees paid in connection with disputes with other tenants; (vi) any amounts paid as ground rental by Lessor; (vii) costs incurred in connection with any major change in the Building, such as adding or deleting floors; (viii) costs of alterations or improvements of the leased premises or the premises of any other tenant; (ix) costs of correcting defects or inadequacies of the initial design or construction of the Building; (x) costs for which Lessor is reimbursed by insurance, whether by its carrier or any tenant's carrier; or (xi) fines, penalties and interest, including any penalties paid by Lessor to any tenant of the Building, except fines, penalties and interest incurred as a result of the outcome of any dispute regarding the Building and/or the Land in which Lessor is engaged in good faith. Operating expenses shall reflect all cash discounts, trade discounts or quantity discounts received by Lessor or Lessor's manager of the Building in the purchase of goods, utilities or services in connection with the operation of the Building. Lessor shall make payments for goods, utilities and services in a timely manner to obtain available discounts unless Lessor is contesting the charge for the same or otherwise deems it prudent to delay payment.

As used herein, the term "Impositions" shall mean all taxes, assessments and governmental charges, whether federal, state, county or municipal, and whether they be by taxing districts or authorities presently taxing the Building and the Land or by others subsequently created or otherwise, and any other taxes and assessments attributable to the Building and the Land or their operation, whether or not directly paid by Lessor, excluding, however, federal and state taxes on income, death taxes, excess profit taxes, franchise taxes, or other taxes imposed or measured on or by the income of Lessor from the operation of the Building or imposed in connection with any change of ownership of the Building or the Land; provided, however, that if at any time during the term of this lease, the present method of taxation or assessment shall be so changed that the whole or any part of the taxes, assessments, levies, impositions or charges now levied, assessed or imposed on real estate and the improvements thereon shall be discontinued and as a substitute therefor, or in lieu of an addition thereto, taxes, assessments, levies, impositions or charges shall be levied, assessed and/or imposed wholly or partially as a capital levy or otherwise on the rents received from said real estate or the rents reserved herein or any part thereof, then such substitute or additional taxes, assessments, levies, impositions or charges, to the extent so levied, assessed or imposed, shall be deemed to be included within Impositions to the extent that such substitute or additional tax would be payable if the Building and the Land were the only property of Lessor subject to such tax. It is agreed that Lessee will be responsible for ad valorem taxes on its personal property and on the value of the leasehold improvements in the leased premises to the extent that the same exceed building standard allowances as set forth in Items 1 through 9 of Schedule

3 to the Addendum (and if the taxing authorities do not separately assess Lessee's leasehold improvements, Lessor may make a reasonable allocation of the Impositions to the same). If special assessments which are payable in annual installments are levied against the Land and/or the Building, the Impositions for a given calendar year shall include only the installment (together with interest thereon if applicable) for that year. If the Building shall be sold at a demonstrably inflated price for tax-shelter purposes of the buyer, then any increased ad valorem real estate taxes resulting from an increase in assessed valuation of the Building based in turn on such inflated sales price shall not be included in Impositions.

(c) The "Initial Operating Expenses Basic Cost" (including the Management Fee Contribution) is stipulated to be \$4.34 per square foot of net rentable area of the leased premises, less the Storage Space (as that term is defined in Item 7 of the Addendum). The "Initial Tax Basic Cost" is stipulated to be \$1.21 per square foot of net rentable area of the leased premises, less the Storage Space.

(d) The term "Computed Operating Expenses" shall mean, with respect to each calendar year during the term of this lease, the Actual Operating Expenses for said year computed in accordance with the provisions of Paragraph 4(b) of this Article II, but excluding the Management Fee Contribution. The term "Lessee's Share of Computed Operating Expenses" shall mean, with respect to any calendar year, the sum of (i) the Management Fee Contribution for such year, and (i) the Computed Operating Expenses for such year (y) divided by the net rentable area of the Building, which is represented by Lessor to be 1,178,560 square feet, and (z) multiplied times the number of square feet of net rentable area contained within the leased premises, less the Storage Space.

For each calendar year during the term of this Lease, prior to January 1 of each such year (or prior to the commencement of the term of this lease as to the year in which said commencement occurs), Lessor shall provide Lessee in writing a comparison of the Initial Operating Expenses Basic Cost with the projected Lessee's Share of Computed Operating Expenses with respect to such year, and thereafter Lessee shall pay an adjusted Basic Rent for such year which shall include an appropriate amount on account of the excess of such projected Lessee's Share of Computed Operating Expenses over the Initial Operating Expenses Basic Cost. Lessor shall, within a period of one hundred fifty (150) days (or as soon thereafter as possible) after the close of each such calendar year, provide Lessee a statement of the operating expenses for such year prepared by a certified public accountant of recognized standing, and a calculation (based thereon) prepared by Lessor of Lessee's Share of Computed Operating Expenses for such year. If Lessee's Share of Computed Operating Expenses for such year is greater than the projected amount theretofore paid by Lessee for such year,

Lessee shall pay to Lessor within thirty (30) days after Lessee's receipt of the statement the amount of such excess. However, if Lessee's Share of Computed Operating Expenses for such year is less than the projected amount theretofore paid by Lessee for such year, Lessor shall pay to Lessee within thirty (30) days after Lessee's receipt of the statement the amount of such overpayment. Any sums payable by Lessee under this paragraph 4(d) of Article II shall be deemed additional rent.

(e) The term "Lessee's Share of Computed Tax Expenses" shall mean, with respect to each calendar year, the Impositions for said year (y) divided by the net rentable area of the Building, which is agreed by Lessor and Lessee to be 1,178,560 square feet, and (z) multiplied times the number of square feet of net rentable area contained within the leased premises, less the Storage Space.

For each calendar year during the term of this lease, prior to January 1 of each such year (or prior to the commencement of the term of this lease as to the year in which said commencement occurs, Lessor shall provide Lessee in writing a comparison of the Initial Tax Basic Cost with the projected Lessee's Share of Computed Tax Expenses with respect to such year, and thereafter Lessee shall pay an adjusted Basic Rent for such year which shall include an appropriate amount on account of the excess of such projected Lessee's Share of Computed Tax Expenses over the Initial Tax Basic Cost. Lessor shall, within a period of one hundred fifty (150) days (or as soon thereafter as possible) after the close of each such calendar year, provide Lessee a statement of the Impositions for such year prepared by a certified public accountant of recognized standing, and a calculation (based thereon) prepared by Lessor of Lessee's Share of Computed Tax Expenses for such year. If Lessee's Share of Computed Tax Expenses for such year is greater than the projected amount theretofore paid by Lessee for such year, Lessee shall pay to Lessor within thirty (30) days after Lessee's receipt of the statement the amount of such excess. However, if Lessee's Share of Computed Tax Expenses for such year is less than the projected amount theretofore paid by Lessee for such year, Lessor shall pay to Lessee within thirty (30) days after Lessee's receipt of the statement the amount of such overpayment. Any sums payable by Lessee under this Paragraph 4(e) of Article II shall be deemed additional rent.

(f) Should this lease commence or terminate at any time other than the first day of a calendar year, Lessee's Share of Computed Operating Expenses and Lessee's Share of Computed Tax Expenses referred to in Paragraphs 4(d) and 4(e) of this Article II shall be calculated, for the commencement or termination year only, by the following formula:

Days Occupied X	Lessee's Share of Computed Operating Expenses
- -----	(or Lessee's Share of Computed Tax Expenses)
365	
=	Adjusted Lessee's Share of Computed Operating Expenses (or Adjusted Lessee's Share of Computed Tax Expenses)

If the terms of portions of the leased premises commenced on different dates, Lessee's Share of Computed Operating Expenses (or Lessee's Share of Computed Tax Expenses) shall be separately calculated, for the commencement year(s) only, for each portion of the Leased premises with a different commencement date, as provided in Paragraphs 4(d) and 4(e) of this Article II above. Lessee's Share of Computed Operating Expenses (or Lessee's Share of Computed Tax Expenses) as so calculated shall be separately applied in the above formula and the sum of all amounts resulting from such separate applications shall constitute Lessee's share of Computed Operating Expenses and Lessee's share of Computed Tax Expenses for such commencement year(s).

(g) Lessor shall keep accurate books and records on the Building, operating expenses and Impositions, and, on reasonable notice from Lessee, make copies thereof available in Denver, Colorado. Lessee shall have the right at all reasonable times, and at its sole expense, to audit Lessor's books and records relating to this lease for any year or years for which additional rental payments become due; or at Lessor's sole discretion Lessor will provide such audit prepared by a certified public accountant. If Lessor reasonably agrees that any such audit establishes that operating expenses or Impositions are less than theretofore reported by Lessor, then Lessor shall promptly remit Lessee's proportionate share of such overage pursuant to such audit. If Lessor reasonably agrees that any such audit prepared at Lessee's expense establishes that the operating expenses and Impositions for any such year, in combined aggregate, theretofore reported by Lessor have been overstated by two percent (2%) or more, then Lessor shall refund to Lessee the cost of such audit.

(h) Notwithstanding any other provision herein to the contrary, it is agreed with regard to cleaning and utilities only, that in the event the Building is not fully occupied during any calendar year, or in the event the entire Building is not furnished with building standard services during any calendar year, an adjustment shall be made in computing the Computed Operating Expenses for such year so that the Computed Operating Expenses shall be computed for such year as though the Building had been fully occupied during such year, and as though the entire Building had been provided with building standard services during such year. Lessor shall use reasonable efforts to operate the Building efficiently and economically at all times during the term of this lease so as to give Lessee all the services required for tenants of first class office buildings and at the same time keep operating



expenses to a reasonable amount. Lessor shall demonstrate to Lessee's satisfaction Lessor's determination and computation of Lessee's share of Computed Operating Expenses.

(i) Lessor agrees that, per square foot of net rentable area, Lessee's Share of Computed Operating Expenses (excluding the Management Fee Contribution) will not exceed that of any other tenant in the Building.

### III

Lessor and Lessee covenant and agree as follows:

#### 1. SERVICES TO BE FURNISHED BY LESSOR.

(a) Lessor shall use its best efforts to cause public utilities to furnish the electricity and water utilized in operating any and all facilities serving the leased premises.

(b) Lessor shall furnish Lessee while occupying the leased premises:

(i) Domestic warm and cold water at certain points of supply available on each floor in the Building, with toilet facilities and supplies to be available on each floor; central heat and air conditioning in season, at such temperatures and in such amounts as are considered by Lessor to be standard, but such service at times during weekdays other than normal business hours for the Building, on Saturday afternoons, Sundays and holidays to be furnished only upon request of Lessee, who shall pay the charges described in Schedule 5 attached to the Addendum; routine maintenance and electric lighting service for all public areas and special service areas of the Building in the manner and to the extent deemed by Lessor to be standard.

(ii) Janitor service on a five (5) day week basis at no extra charge in accordance with the Janitorial Specifications attached hereto as Exhibit B, as the same may be reasonably amended by Lessor from time to time; provided, however, Lessee shall pay as additional rent, upon presentation of Lessor's statement, the additional cost for cleaning its floor coverings and other improvements which are not building standard. Failure to pay such additional rent shall constitute a default hereunder.

(iii) Personnel or equipment to maintain security for the Building. Except as provided in the next sentence, Lessor shall, however, not be responsible to prevent, or be liable for, and Lessee shall indemnify Lessor against, all liability or loss to Lessee, its agents, employees and visitors arising from theft, burglary, or damage

or injury to persons or property caused by persons (other than the officers or employees of Lessor) gaining access to the Building or the leased premises. The preceding sentence shall not be deemed to excuse Lessor from any negligence of Lessor or its officers or employees with respect to theft, burglary, damage or injury to persons or property caused by Lessor's independent contractors or the officers or employees of such independent contractors. On notice from Lessee, Lessor will make reasonable efforts to require Lessor's independent contractors to deny access to the leased premises to such officers or employees of such independent contractors as Lessee has specifically identified.

(iv) Sufficient electrical capacity to furnish one hundred twenty (120) volt power for typewriters, voice writers, calculating machines and other machines of similar low electrical power consumption (provided that the total consumption on each floor does not exceed one watt per square foot of net rentable area). In addition, Lessor shall provide electrical capacity for building standard lighting at no premium cost to Lessee, which building standard lighting has been designed for three watts per square foot of net rentable area, and Lessor shall provide sufficient electrical capacity to meet Lessee's electrical requirements for the technical service area described in Item 6 of the Addendum. Lessor shall have the right, if it determines that Lessee is using electric current in excess of what is described above, to install a check meter to determine the amount of electric current that Lessee is using. If Lessee is using electric current in excess of what is described above, the cost of installing and monitoring such check meter, together with such excess current, shall be charged to Lessee as additional rent. Electrical equipment loads which in total on any floor exceed one-half (1/2) watt per square foot of net rentable area may require installation of additional air conditioning capacity above that provided by the building standard system, which additional air conditioning installation and operating costs relating thereto will be the obligation of Lessee unless Lessor has specifically agreed to pay any such costs pursuant to Item 6 of the Addendum. Electrical capacity is not provided on a building standard basis for electrical equipment which singly consumes more than five hundred (500) watts (at rated capacity), such as electrical data processing equipment, duplicating machines, and special (incandescent) lighting, or for voltage other than one hundred twenty (120) volts.

(v) All fluorescent and incandescent bulb replacement in public areas, and, upon notice from and at Lessee's expense, in the leased premises.

(vi) Non-exclusive passenger elevator service to the leased premises twenty-four (24) hours per day and non-

exclusive freight elevator service during normal business hours.

(vii) Commence removal of snow and ice on the sidewalks adjacent to the Building within a reasonable time after snowfall or ice accumulation.

Failure by Lessor to any extent to furnish the above described services, or any cessation thereof, resulting from causes beyond the reasonable control of Lessor shall not render Lessor liable in any respect for damages to either person or property, nor be construed as an eviction of Lessee, nor work an abatement of rent, nor relieve Lessee from fulfillment of any covenant or agreement hereof. Should any of the equipment or machinery break down, or for any reason cease to function properly, Lessee shall have no claim for rebate of rent or damages on account of an interruption in service occasioned thereby or resulting therefrom; provided, however, Lessor agrees to use its best efforts to promptly repair said equipment or machinery and to restore said services.

(c) Notwithstanding the foregoing, if the leased premises shall become untenable for five (5) consecutive business days (Monday through Friday but excluding holidays as defined in SCHEDULE 5 attached to the Addendum) owing to the cessation of such services, and if Lessee has provided Lessor written notice of such cessation of services, rent shall abate after the five day period and until such time as the services have been restored so as to make the leased premises tenable; and if the leased premises remain untenable for a continuous period of six (6) months, after notice by Lessee to Lessor, owing to cessation of such services Lessee may terminate this lease as of the end of such six-month period, in which event neither Lessor nor Lessee shall have any further liability by reason of this lease or any other document executed in connection herewith.

2. KEYS AND LOCKS. Lessor shall furnish Lessee two (2) keys for each corridor door entering the leased premises. Additional keys will be furnished by Lessor at a charge to Lessee equal to Lessor's cost on an order signed by Lessee or Lessee's authorized representative. All such keys shall remain the property of Lessor. No additional locks shall be placed on any door of the leased premises without Lessor's permission, which permission shall not be unreasonably withheld, and Lessee shall not make, or permit to be made, any duplicate keys, except those furnished by Lessor. Upon termination of this lease, Lessee shall surrender to Lessor all keys of the leased premises, and give to Lessor the explanation of the combination of all locks for safes, safe cabinets and vault doors, if any, in the leased premises.

3. GRAPHICS. Lessor shall provide and install, at Lessee's expense except as provided hereinbelow, all letters or numerals on entrance doors to the leased premises. All such letters and

numerals shall be in the building standard graphics, and no others shall be used or permitted on the exterior of, or which may be visible from outside, the leased premises without Lessor's prior written approval, which shall not be unreasonably withheld. Lessor also agrees to provide and install a listing of Lessee on the Building's directory board consisting of a maximum of thirty (30) lines, in addition to those lines presently listed on the directory board, all of which shall be at Lessee's expense.

4. PEACEFUL EMPLOYMENT. Lessor covenants that Lessee shall and may peacefully have, hold and enjoy the leased premises, subject to the other provisions of this Lease, including Paragraph 11 of Article IV, provided that Lessee pays the rental and other sums herein recited to be paid by Lessee and performs all of Lessee's covenants and agreements herein contained. It is understood and agreed that this covenant and any and all other covenants of Lessor contained in this lease shall be binding upon Lessor and its successors only with respect to breaches occurring during its and their respective ownership of the Lessor's interest hereunder.

5. LIMITATION OF LESSOR'S PERSONAL LIABILITY. Lessee specifically agrees to look solely to Lessor's interest in the Building for the recovery of any judgment from Lessor, it being agreed that Lessor (and its partners and shareholders) shall never be personally liable for any such Judgment. The provision contained in the foregoing sentence is not intended to, and shall not, limit any right that Lessee might otherwise have to obtain injunctive relief against Lessor or Lessor's successors in interest or any suit or action in connection with enforcement or collection of amounts which may become owing or payable under or on account of insurance maintained by Lessor.

6. PARKING RIGHTS. Lessee shall have the rights to the parking permits described on, but subject to the terms and conditions of Rider No. 1.

#### IV

Lessee and Lessor further covenant and agree as follows:

1. PAYMENTS BY LESSEE. Lessee shall pay all rent and sums provided to be paid to Lessor hereunder at the times and in the manner herein provided, without demand, counterclaim or set off, except as provided in Paragraph 1.(c) of Article III above and in Items 5 and 6 of the Addendum.

2. REPAIRS BY LESSOR. Prior to the Commencement Dates, Lessor shall use its best efforts to put the leased premises, parking garage, Building and all Building and parking garage service systems (including, without limitation, plumbing and electrical systems, boilers and elevators) in good repair and

condition, and covenants and agrees that at the commencement of the term these systems will be in good electrical, mechanical and operating condition. Unless otherwise stipulated in this lease, Lessor shall not be required to make any improvements to or repairs of any kind or character on the leased premises before or during the term of this lease, except such repairs as may be necessary for normal maintenance operations for a first-class office building. The obligation of Lessor to maintain and repair the leased premises shall be limited to building standard items, as set forth in Schedule 3 attached to the Addendum. Non-building standard leasehold improvements will, at Lessee's written request, be maintained by Lessor at Lessee's expense, at a cost or charge equal to the costs incurred in such maintenance plus an additional charge of fifteen percent (15%) to cover Lessor's overhead. Lessor will, to the extent permitted by such warranties, assign to Lessee any warranties obtained by Lessor in constructing, installing, maintaining or repairing non-building standard leasehold improvements. Notwithstanding any provisions of this lease to the contrary, all repairs, alterations or additions to the Building (as opposed to those involving leasehold improvements) shall be made by Lessor or its contractor only, and except as otherwise provided in, and subject to the other terms and conditions of, this lease, Lessor shall keep the public areas of the Building in the condition expected for first-class office buildings.

3. REPAIRS BY LESSEE. Subject to Paragraph 13 of Article V, Lessee shall at its own cost and expense, repair or replace any damage or injury done to its leasehold improvements, or any part thereof, caused by Lessee or Lessee's agents, employees or invitees. If Lessee fails to make such repairs or replacements to its leasehold improvements promptly, Lessor may, at its option, make such repairs or replacements, and Lessee shall pay Lessor on demand Lessor's actual costs in making said repairs or replacements plus a charge of fifteen percent (15%) to cover Lessor's overhead. Any damage or injury caused to the Building (as opposed to those involving Lessee's leasehold improvements) by Lessee, its agents, employees or invitees shall be repaired or replaced by Lessor, but at Lessee's expense plus a charge of fifteen percent (15%) to cover overhead.

4. CARE OF THE LEASED PREMISES. Lessee shall not commit or allow to be committed any waste or damage on any portion of the leased premises, and at the termination of this lease, by lapse of time or otherwise, shall deliver up the leased premises to Lessor in as good condition as at date of possession by Lessee, ordinary wear and tear excepted, and subject to the provisions of Paragraph 4 of Article V below. Upon such termination of this lease, Lessor shall have the right to re-enter and resume possession of the leased premises.

5. ASSIGNMENT OR SUBLEASE.

(a) Lessee may sublet all or any portion of the leased premises or assign this lease, at any time, to any successor entity of Lessee without having first to obtain Lessor's consent, PROVIDED HOWEVER, that such successor entity's use thereof shall be consistent with Paragraph 2 of Article II. A "successor entity" means another corporation at least fifty-one percent (51%) of whose voting stock is owned by Lessee at all times while such sublease or assignment is in effect or an entity which hereafter acquires all of the corporate stock of Lessee.

(b) Subject to Lessor's prior written approval of each subtenant, which approval shall not be unreasonably withheld or delayed, Lessee may sublet up to 50% of the leased premises; provided, however, that each subtenant's use of the leased premises is consistent with Paragraph 2 of Article II. In the event Lessee should desire to sublet the leased premises or a portion thereof, Lessee shall give Lessor written notice of such desire at least thirty (30) days in advance of the date on which Lessee desires to make such sublease. Lessor shall then have a period of ten (10) days following receipt of such notice within which to provide its written approval of the proposed sublease. Failure by Lessor within such ten (10) day period to give written approval to such subletting shall be deemed disapproval thereof by Lessor. If Lessor approves such sublease, Lessor shall be entitled to receive one-half of all excess rentals to be paid to or owed by such subtenant to Lessee. "Excess rentals" include all lump-sum payments, payments on account of operating expenses and Impositions, payments of rent net of such payments on account of operating expenses and Impositions, and all other payments paid or owed by such sub-tenant for the sublet space in excess of Basic Rent, Initial Operating Expenses Basic Cost and Initial Tax Basic Cost (x) as adjusted under Paragraphs 4(d) and 4(e) of Article II owed by Lessee under this lease, and (y) as increased by the pro rata share allocable to the sublet space of any cash inducement or other payments, inducements or concessions made by Lessor to Lessee in connection with Lessee's entering into this lease, such pro rata share to be determined by amortizing such cash inducement or other payments, inducements or concessions over the term of this lease and allocating the same on an even square foot basis over all of the initial 159,447 square feet of net rentable area; provided, however, that Lessee shall be permitted to deduct the following sums from the payments made by the subtenant before excess rentals in which Lessor is entitled to share arise: (i) any brokerage and legal expense reasonably incurred by Lessee in connection with such sublease; (ii) rentals paid by Lessee to Lessor for any period during which the sublet space was vacant and Lessee was actively seeking a subtenant therefor; (iii) any unamortized value (such amortization to be over the term of this lease) of the leasehold improvements in the sublet space which were paid for by Lessee, depreciated from the date of installation to the date of commencement of the term of the sublease, regardless of whether said improvements might be considered a part of the leased premises

or shall be or become the property of Lessor under the terms of this lease; and (iv) such portion of costs and expenses incurred by Lessee, in connection with the sublease to improve the sublet space as is allocable to the sublease, such portion being determined by amortizing the cost of such improvements to the sublet space over the life of such improvements. Assignments by Lessee of an interest in the leased premises shall be treated the same as and aggregated with subleases. Lessee shall not be liable to Lessor for payment of excess rentals owed to Lessor hereunder except to the extent that such subtenant or assignee has actually paid excess rentals to Lessee. Subleases or assignments made pursuant to subparagraph (a) of this Paragraph 5 are not subject to this subparagraph (b).

(c) Notwithstanding that Lessor may have approved all subleases and assignments, if Lessee shall have sublet greater than an aggregate of 50% of the leased premises, Lessor may elect either (i) to terminate this lease in its entirety by written notice to Lessee, or (ii) to keep this lease in full force and effect and to receive directly from all subtenants 50% of all excess rentals to be paid by or owed by all subtenants to Lessee. On the day that Lessee has sublet greater than an aggregate of 50% of the leased premises, Lessee shall notify Lessor in writing of that fact and Lessor shall have thirty days after receipt of such notice to elect under option (i) or (ii). If Lessor elects option (i), then Lessee shall have no further liability under this lease except for liabilities which have accrued prior to such termination. Failure by Lessor to make a written election shall be deemed to be an election under option (ii). "Excess rentals" shall be calculated in the manner set forth in subparagraph (b) of this Paragraph 5. Assignments by Lessee of an interest in the leased premises shall be treated the same as and aggregated with subleases. In calculating whether the 50% aggregate (counting both such assignments and subleases) has been exceeded, subleases or assignments pursuant to subparagraph (a) of this Paragraph 5 shall not be included, but if such 50% aggregate has been otherwise exceeded, then Lessor's election under (i) or (ii) of this subparagraph (c) shall be equally applicable to subleases and assignments under said subparagraph (a).

No assignment or subletting by Lessee, whether or not pursuant to subparagraph (a) of this Paragraph 5 and whether or not approved by Lessor, shall relieve Lessee of any obligation under this lease. Any attempted assignment or sublease by Lessee in violation of the terms and covenants of this Paragraph 5 shall be void. Any consent by Lessor to a particular assignment or sublease shall not constitute Lessor's consent to any other or subsequent assignment or sublease.

6. ALTERATIONS, ADDITIONS AND IMPROVEMENTS.

(a) Lessor shall deliver and Lessee shall accept the Temporary Space in its present condition (on an "as is" basis) and Lessee shall not be entitled to receive any contribution or allowance from Lessor for improvement thereof. With respect to the Permanent Space, the respective obligations of Lessor and Lessee in connection with the improvement and alteration of the space is set forth in Item 6 of the Addendum. All work to be done by Lessor shall be completed in a good workmanlike manner and in compliance with federal, state and local law, and shall include delivery by Lessor of a certificate of occupancy or other form of authorization, if required by law, issued by the appropriate government or agency thereof, stating that the premises may lawfully be occupied for the uses permitted by this lease. Lessor will prepare the Permanent Space in accordance with Item 6 of the Addendum, but Lessor shall be required to bear the expense of building out the Permanent Space only to the extent set forth in Item 6 of the Addendum.

(b) Lessee shall not allow (except as otherwise provided in this lease) any alterations or physical additions to be made in or to the leased premises, or place signs on the leased premises which are visible from outside the leased premises, or place safes or vaults within the leased premises, without first obtaining the written consent of Lessor, which consent shall not be unreasonably withheld or delayed.

(c) All alterations and physical additions in or to the leased premises which are paid for by Lessor shall, when made, become the property of Lessor and shall be surrendered to Lessor upon termination of this lease, whether by lapse of time or otherwise. If Lessee is not then in default, at the termination of this lease Lessee may remove above-building standard improvements which have been paid for by Lessee provided that Lessee shall have put the leased premises in at least building standard condition and left the premises in good condition and repair, and may likewise remove movable equipment or furniture owned by Lessee. Lessee agrees specifically that no food, soft drink or other vending machine will be installed within the leased premises without the written consent of Lessor; provided, however, that Lessee may install said machines for the exclusive use of its employees and guests as long as the same are not visible from any public areas of the Building, the number and types of said machines are reasonably approved by Lessor, Lessee takes such measures as may be necessary for adequate rodent and insect control and the prevention of odors from emanating therefrom, and Lessee complies with such other reasonable rules and regulations as Lessor may promulgate from time to time, and Lessee shall promptly remove any machine that does not so comply. Additionally, Lessee will be solely responsible for access for servicing same during normal business hours.

(d) Lessee has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever whether created by



act of Lessee, operation of law or otherwise, to be attached to or placed upon Lessor's title or interest in the leased premises or the Building or Land. Should any mechanics' or materialmen's lien ("mechanics' lien") be filed or recorded against the leased premises, the Building or the Land owing to any labor or service claimed to have been performed for or materials claimed to have been furnished at the request of Lessee or its contractors or subcontractors, Lessee covenants and agrees to cause such mechanics' lien to be released and removed of record within fifteen (15) days after Lessee learns of the filing or recording of such mechanics' lien (or such shorter period, after Lessee learns of such recording or filing, as may be required by any mortgage, deed of trust, land or ground lease which may now or hereafter encumber the Building and/or the Land) unless Lessor by written notice shall extend such time. Lessee shall promptly notify Lessor of the filing or recording of any such mechanics' lien of which Lessee learns and of any notice of intent to file a mechanics' lien statement which is served upon Lessee. Lessor shall have the right to post and keep posted on the leased premises until any alterations, additions, improvements, or repairs are completed any notices permitted or required by law which Lessor shall deem proper for the protection of Lessor, the leased premises, the Building or the Land, or any party having an interest therein, from mechanics' liens. In the performance of all alterations, additions, improvements, or repairs conducted by Lessee's contractors or subcontractors, all such contractors and subcontractors shall be required to maintain casualty and liability insurance coverage as is reasonably adequate to fully protect Lessor and Lessee.

7. LEGAL USE AND VIOLATIONS OF INSURANCE COVERAGE. Lessee shall not occupy or use, or permit any portion of the leased premises to be occupied or used, for any business or purpose which is unlawful or deemed to be hazardous on account of fire or other hazards, or permit anything to be done which would in any way void or increase the rate of fire or liability or any other insurance coverage on the Building and/or its contents. Lessor acknowledges that Lessee's occupancy and use of the technical service area described in Item 6 of the Addendum in the manner proposed by Lessee would not constitute an unlawful use and would not void or increase insurance coverage on the Building.

8. LAWS AND REGULATIONS; RULES OF BUILDING. Lessee shall comply with all laws, ordinances, orders, rules and regulations (of state, federal, municipal and other agencies or bodies having any jurisdiction thereof) relating to the use, condition or occupancy of the leased premises, and Lessor will comply with such thereof as relate to the use, condition or occupancy of the public areas in the Building. Lessee will comply with the rules of the Building adopted and altered by Lessor from time to time for the safety, care and cleanliness of the leased premises and Building and for preservation of good order therein, all of which shall be administered by Lessor in a non-discriminatory manner and all of

which will be sent by Lessor to Lessee in writing and shall be thereafter carried out and observed by Lessee, its employees, contractors, agents, invitees and customers.

9. ENTRY FOR REPAIRS AND INSPECTION. Lessee shall permit Lessor or its agents or representatives to enter into and upon any part of the leased premises, upon reasonable prior notice to Lessee except in case of emergency, at all reasonable hours to inspect the same, clean or make repairs, alterations or additions thereto, and show the same to prospective tenants, as Lessor may deem necessary or desirable, and Lessee shall not be entitled to any abatement or reduction of rent by reason thereof; provided, however, that except in case of emergency Lessor shall not enter into any area designated as a confidential or secure area by Lessee in a written notice to Lessor unless accompanied by a representative of Lessee.

10. NUISANCE. Lessee shall conduct its business and control its agents, employees and invitees in such manner as not to create any nuisance.

11. SUBORDINATION.

(a) Lessor will obtain from the existing ground lessor and the beneficiary of the existing deed of trust on the Building, agreements with Lessee guaranteeing nondisturbance of Lessee, in the event of termination of the ground lease or foreclosure of the deed of trust, so long as Lessee is in full compliance with its obligations under this lease.

(b) Lessee agrees that, upon the request of Lessor made in writing, Lessee will subordinate this lease to any first mortgage or deed of trust, or any lien co-equal to such mortgage or deed of trust ("mortgage") which may hereafter encumber the Building and/or the Land and to all renewals, modifications, consolidations, replacements and extensions thereof, provided that such mortgagee enters into an agreement with Lessee guaranteeing nondisturbance of Lessee, in the event of foreclosure of the mortgage, so long as Lessee is in full compliance with its obligations under this lease. If such mortgagee enters into such agreement, then in the event of foreclosure by the mortgagee of any such mortgage, Lessee will automatically become the Lessee of such successor in interest without change in the terms or provisions of this lease. However, such mortgagee or successor in interest shall not be (i) bound by any payment of rent or additional rent for more than one month in advance except prepayments in the nature of security for the performance by Lessee of its obligations under this lease, (ii) bound by any amendment or modification of this lease made without the written consent of such mortgagee or such successor in interest (provided that the interest of the mortgagee or successor in interest existed at the time of such amendment or modification), (iii) liable for any previous act or omission of Lessor, or (iv) subject to any abatement, deduction, counterclaim

or offset against Lessee's obligations to pay rent, which shall have theretofore accrued to Lessee against Lessor, except as provided in Paragraph 1(c) of Article III above and in Items 5 and 6 of the Addendum. Upon request by such successor in interest, Lessee shall execute and deliver an instrument or instruments confirming the attornment herein provided for.

(c) Notwithstanding anything contained in this lease to the contrary, in the event of any default by Lessor in performing its covenants or obligations hereunder which would give Lessee the right to terminate this lease, Lessee shall not exercise such right unless and until (i) Lessee gives written notice of such default (which notice shall specify the exact nature of said default and how the same may be cured) to the owner or holder of any mortgage, deed of trust, land or ground lease now or hereafter encumbering the Building and/or the Land who has theretofore notified Lessee in writing of its interest and the address to which notices are to be sent, and (ii) said holder or owner fails to cure or cause to be cured said default thirty (30) days from the giving of such notice by Lessee. The provisions of Paragraph 14 of Article V shall govern the manner and effective date of any notice to be given by Lessee to any such holder or owner.

12. ESTOPPEL CERTIFICATE. Lessee agrees, at any time and from time to time, upon not less than ten (10) business days prior written notice from Lessor, to execute, acknowledge and deliver to Lessor (if true) a statement in writing (1) certifying that this lease is unmodified and is in full force and effect (or if there have been modifications, that this lease is in full force and effect as modified and stating the modifications); (2) stating the dates to which the rent and other charges hereunder have been paid by Lessee; (3) stating whether or not Lessee has knowledge that Lessor is in default in the performance of any covenant, agreement or condition contained in this Lease, and, if Lessee has knowledge of such a default, specifying each such default; and (4) stating the address to which notice to the Lessee shall be sent. Prior to the commencement of or during the term of this lease Lessor shall if required by Lessee, upon not less than ten (10) business days prior written notice from Lessee, deliver an estoppel certificate, in the substance and form described above, relative to the status of this lease and/or any ground lease, underlying lease and/or mortgage encumbering the Building, parking garage or land.

V

Lessor and Lessee additionally mutually covenant and agree as follows:

1. CONDEMNATION. If the leased premises shall be taken or condemned for any public purpose to such an extent as to render the leased premises wholly or in substantial part untenable, this lease shall, at the option of either party, forthwith cease and

terminate as of the date of such taking or condemnation. Otherwise, this lease shall continue in full force and effect and rent shall not be abated or redeemed. All proceeds from any taking or condemnation shall belong to and be paid to Lessor.

2. DAMAGES FROM CERTAIN CAUSES. Except for its negligence and except as otherwise provided in Paragraph 13 of Article V or elsewhere in this lease, neither Lessee nor Lessor shall be liable or responsible to the other for any loss or damage to any property or person occasioned by theft, fire, act of God, public enemy, injunction, riot, strike, insurrection, war, court order, requisition or order of governmental body or authority, or any cause beyond its control.

3. HOLDING OVER. In the event of holding over by Lessee after expiration or termination of this lease without the written consent of Lessor, Lessee shall pay as liquidated damages one hundred and fifty per cent (150%) of the rent (including the Basic Rent and all adjustments thereto as described in Paragraphs 3 and 4 of Article II of this lease) for the entire holdover period. No holding over by Lessee after the term of this lease shall be construed to extend the lease. In the event of any unauthorized holding over, Lessee shall also indemnify Lessor against all claims for damages by any other lessee to whom Lessor may have leased all or any part of the leased premises effective upon the termination of this lease. Any holding over with the consent of Lessor in writing shall thereafter constitute this lease a lease from month to month.

4. FIRE CLAUSE. Lessee shall immediately notify Lessor of fire or other casualty in the leased premises. If through no fault or neglect of Lessee, its agents, employees, or invitees the leased premises are partially destroyed by fire or other casualty, the rental provided for herein shall abate as to those portions of the leased premises rendered untenable thereby until such time as such portions are made tenantable as determined by Lessor. In the event of the total destruction of the leased premises without fault or neglect of Lessee, its agents, employees, or invitees, or if from any cause without fault or neglect of Lessee, its agents, employees or invitees, the leased premises or the Building shall be so damaged that Lessor shall decide not to rebuild, then Lessee shall pay all rent owed up to the time of such destruction or termination and this lease shall terminate. Notwithstanding anything contained in this Paragraph 4, Lessor shall not be obligated to restore or rebuild the leased premises to above building standard condition as set forth in Schedule 3 to the Addendum; provided, however, where Lessor has elected to rebuild or restore the leased premises, Lessee shall have the right to cause Lessor to rebuild or restore the leased premises to the condition they were in prior to such damage or destruction, in which event Lessee shall bear the cost of such restoration or rebuilding to the extent the same exceeds the costs Lessor would have incurred had

only building standard improvements as set forth in Schedule 3 to the Addendum been used. In the event this lease has not terminated pursuant to the foregoing provisions of this Paragraph 4 and Lessor has not completed the restoration or repairs to the leased premises within one (1) year after the date the fire or other casualty occurred, then Lessee may elect to terminate this lease and Lessee's rent obligation shall be to pay all rent due and owing (excluding any rent abated to the extent permitted under the foregoing provisions of this Paragraph 4) up to the date of such termination, and this lease shall then terminate.

5. ATTORNEY'S FEES. In the event either party defaults in the performance of any of the terms, agreements or conditions contained in this lease and the other party places the enforcement of this lease, or any part thereof, or the collection of any rent due, or to become due hereunder or recovery of the possession of the leased premises, in the hands of an attorney who files suit upon the same, the non-prevailing party agrees to pay the other party's reasonable attorney's fees.

6. ALTERATION. This lease may not be altered, changed or amended, except by an instrument in writing signed by both parties hereto.

7. ASSIGNMENT BY LESSOR. Lessor shall have the right to transfer and assign, in whole or in part, all its rights and obligations hereunder and in the Building, the Land and property referred to herein, and in such event and upon such transfer (any such transferee to have the benefit of, and be subject to, the provisions of Paragraphs 4 and 5 of Article III) no further liability or obligation shall thereafter accrue against Lessor hereunder.

8. DEFAULT OF LESSEE. If default shall be made in the payment of any sum to be paid by Lessee under this lease, and such default shall continue for five (5) days after written notice to Lessee, or if default shall be made in the performance of any of the other covenants or conditions which Lessee is required to observe and to perform and such default shall continue for twenty (20) days after written notice to Lessee, or if the interest of Lessee under this lease shall be levied on under execution or other legal process, or if any petition shall be filed by or against Lessee to declare Lessee a bankrupt or to delay, reduce or modify Lessee's debts or obligations, or if any petition shall be filed to reorganize or modify Lessee's capital structure, or if Lessee be declared insolvent according to law, or if any assignment of Lessee's property shall be made for the benefit of creditors, or if a receiver or trustee is appointed for Lessee or its property, or if Lessee shall abandon the leased premises during the term of this lease or any renewals or extensions thereof (except that so long as Lessee is fully complying with the terms and provisions of this lease, vacation alone of the leased premises shall not constitute

abandonment), or if Lessee shall cease to exist as a corporation in good standing in the state of its incorporation then Lessor may treat the occurrence of any one or more of the foregoing events as a breach of this lease (provided that no such levy, execution, legal process or petition filed against Lessee shall constitute a breach of this lease if Lessee shall vigorously contest the same by appropriate proceedings and shall remove or vacate the same within thirty (30) days from the date of its creation, service or filing, and provided further that as to any default (other than a failure to pay money or carry insurance as required by this lease and other than such levy, execution, legal process or petition as aforesaid) which cannot be cured by Lessee within said twenty (20) day period, Lessee shall not be deemed to be in default so long as Lessee diligently commences curative efforts within said twenty (20) day period and thereafter pursues the same to diligent completion) and thereupon, at Lessor's option, Lessor may have any one or more of the following described remedies in addition to all other rights and remedies provided at law or in equity:

(a) Lessor may terminate this lease and forthwith repossess the leased premises and be entitled to recover forthwith from Lessee as damages an amount equal to the total of

(i) the cost including reasonable attorney's fees of recovering the leased premises,

(ii) all unpaid rentals earned at the time of termination of this lease, plus interest thereon at the rate per annum equal to five percent (5%) above the Prime Rate, and

(iii) any other money and damages owed by Lessee to Lessor.

In addition, Lessor shall also be entitled to recover from Lessee as damages the amounts determined at Lessor's election under either (x) or (y) below:

(x) The amount of all rentals which would have been payable herewith if this lease had not been terminated less the net proceeds, if any, received by Lessor from any reletting of the leased premises, after deducting all reasonable out-of-pocket costs incurred by Lessor in finding a new tenant and reletting the space, including remodeling and refinishing space for a new tenant, reasonable and customary tenant inducements, and paying any reasonable and customary brokerage fees or agents' commissions in connection therewith, redecorating costs, reasonable attorney's fees and other costs and expenses incident to the reletting of the leased premises. Lessee shall pay such damages to Lessor on the days on which the monthly rent would have been payable if this lease had not terminated.

(y) The present value discounted at the date of ten percent (10%) per annum of the balance of the rent for the remainder of the term of this lease after the termination date less the present value (discounted at the same rate) of the fair rental value (such rental value to include all costs and expenses set forth in subparagraph (x) above) of the leased premises for said period.

(b) Lessee's right to possession of the leased premises and leasehold estate and options hereunder shall, after ten (10) days further notice and Lessee's failure to cure such default during such ten (10) day period, immediately cease and terminate, and Lessor lawfully may immediately or at any time thereafter with or without legal process, enter into or upon the leased premises or any part thereof and repossess same and remove all persons and property therefrom (Lessee hereby waiving any claim by reason of the issuance of any distress warrant or writ of sequestration, except claims arising out of Lessor's failure to exercise reasonable care as to Lessee's property), and without prejudice to any remedies which Lessor may have for arrears of rent or breach of covenant. No such re-entry or repossession of the leased premises by Lessor shall be construed as an election on Lessor's part to terminate this lease unless a written notice of termination is given to Lessee by Lessor. Notwithstanding such re-entry and termination of Lessee's rights of possession, Lessee agrees that Lessee shall remain liable for all rentals due and to become due hereunder, and the same shall be paid by Lessee to Lessor on the regular days stipulated herein for payment of rent; however, if the leased premises be relet (Lessor hereby agreeing to use its best efforts to relet the leased premises) in whole or in part, Lessor shall keep all rentals paid thereby, but Lessee shall be entitled to a credit in the net amount of the rent received by Lessor as a result of such reletting (after deducting all reasonable out-of-pocket costs incurred by Lessor in finding a new tenant and reletting the space, including rebuilding and refinishing space for a new tenant, reasonable and customary tenant inducements, and paying any reasonable and customary brokerage fees or agent's commissions in connection therewith, redecorating costs, attorney's fees and other costs and expenses incident to the aforesaid repossession of the leased premises and reletting of same); Lessee will remain obligated to pay Lessor the amount of any deficiency of the rent actually received on such reletting below the rent reserved herein. If this lease is terminated by operation of law as a result of Lessor's actions under this (b), then Lessor shall be entitled to recover damages from Lessee as provided above. Lessor shall have the right to collect from Lessee amounts equal to said deficiencies and damages provided for above by suits or proceedings brought from time to time on one or more occasions without Lessor being obligated to wait until the expiration of the term of this lease.

Whether Lessor proceeds under subparagraph (a) or subparagraph (b) of this Paragraph 8, Lessor shall use reasonable efforts to mitigate its damages.

9. NON-WAIVER. Failure of either party to declare any default immediately upon occurrence thereof, or delay in taking any action in connection therewith, shall not waive such default, but said party shall have the right to declare any such default at any time and take such action as might be lawful or authorized hereunder, either in law or in equity.

10. CASUALTY INSURANCE. Lessor shall maintain fire and extended coverage insurance on the Building (excluding leasehold improvements) and on all building standard leasehold improvements. Said insurance shall be maintained with an insurance company authorized to do business in Colorado, in amounts desired by Lessor and at the expense of Lessor (but with the same to be included in the operating expenses of the Building as described in Paragraph 4 of Article II of this lease) and payments for losses thereunder shall be made solely to Lessor. If Lessor receives insurance proceeds for any damage occurring within the leased premises then (except as any mortgage or deed of trust or ground or land lease now or hereafter covering the Building and/or the Land may otherwise require and unless Lessor elects pursuant to the provisions of Paragraph 4 of Article V not to rebuild or restore the leased premises) such insurance proceeds shall be used to rebuild or restore the leased premises. Lessee shall maintain at its expense fire and extended coverage insurance on all of its personal property, including removable trade fixtures, located in the leased premises and on its non-building standard leasehold improvements and all additions and improvements made by Lessee and not required to be insured by Lessor above. If the annual premiums to be paid by Lessor shall exceed the standard rates because Lessee's operations, contents of the leased premises, or improvements with respect to the leased premises beyond building standard, result in hazardous exposure, Lessee shall promptly pay the excess amount of the premium upon request by Lessor (and if necessary, Lessor may allocate the insurance costs of the Building to give effect to this sentence).

11. LIABILITY INSURANCE. Lessor and Lessee shall each, at their respective expense, maintain a policy or policies of comprehensive general liability insurance with the premiums thereon fully paid on or before the due dates, issued by and binding upon some solvent insurance company, such insurance to afford minimum protection (which may be effected by primary and/or excess coverage) of not less than \$300,000 in respect of personal injury or death in respect of any one occurrence and of not less than \$100,000 for property damage in any one occurrence, provided Lessee shall carry such greater limits of coverage as Lessor may reasonably request from time to time.



12. HOLD HARMLESS. Lessor shall not be liable to Lessee, its agents, servants, employees, customers or invitees for any damage to person or property caused by any act, omission or neglect of Lessee, its agents, servants or employees or invitees, and Lessee agrees to indemnify and hold Lessor harmless from all liability and claims for any such damage. Lessee shall not be liable to Lessor, or to Lessor's agents, servants, employees, customers or invitees for any damage to person or property caused by any act, omission or neglect of Lessor, its agents, servants or employees, and Lessor agrees to indemnify and hold Lessee harmless from all claims for such damage.

13. WAIVER OF SUBROGATION RIGHTS. Anything in this lease to the contrary notwithstanding, Lessor and Lessee each hereby waives any and all rights of recovery, claim, action or cause of action, against the other, its agents, officers, partners, shareholders or employees, for any loss or damage that may occur to the leased premises or the Building, or any improvements thereto, or any personal property of such party therein, by reason of fire, the elements, or any other cause which is or could be insured against under the terms of the standard fire and extended coverage insurance policies referred to in Paragraph 10 of Article V, regardless of cause or origin, including negligence of the other party hereto, its agents, officers, partners, shareholders or employees, and covenants that no insurer shall hold any right of subrogation against such other party.

14. NOTICES. Any notice or other communications to Lessor or Lessee required or permitted to be given under this lease (and copies of the same to be given to the persons below described) must be in writing and shall be effectively given if delivered to the addresses for Lessor and Lessee stated above or if sent by United States mail, certified or registered, return receipt requested, to said addresses. Any notice mailed shall be deemed to have been given on the regular business day next following the date of deposit of such item in a depository of the United States Postal Service. Notice effected other than by mail shall be deemed to have been given at the time of actual delivery. Either party shall have the right to change its address to which notices shall thereafter be sent by giving the other notice thereof. Additionally, Lessee shall send copies of all notices required or permitted to be given to Lessor to any holder or owner of a mortgage, deed of trust or land or ground lease encumbering the Building and/or the Land who notifies Lessee in writing of its interest and the address to which notices are to be sent.

15. BUILDING NAME. Lessor reserves the right to change the name of the Building from time to time as Lessor shall deem proper, except that if during the initial ten (10) year term of this lease Lessor changes the name to that of another entity whose primary business activity is that of oil and gas exploration and which is perceived by the general public to be a competitor of Lessee (a

"competitor's name"), then Lessee may give notice to Lessor that unless Lessor changes the name back to One United Bank Center or to another name that is not a competitor's name within ninety (90) days, Lessee will cancel this lease at the end of not to exceed an additional one hundred eighty (180) days; and if Lessor does not so change the name then this lease shall terminate and neither party shall have any further rights or duties under this lease. Lessee shall pick the exact date within said total of two hundred seventy days on which this lease shall so terminate by written notice to Lessor not less than ninety (90) days prior to such exact date, and in the absence of such notice from Lessee to Lessor this lease shall terminate on said two hundred and seventieth (270th) day.

16. MISCELLANEOUS. This lease shall be binding upon and inure to the benefit of the successors and assigns of Lessor, and shall be binding upon and inure to the benefit of Lessee, its successors, and, to the extent assignment may be approved by Lessor hereunder if required, Lessee's assigns. The pronouns of any gender shall include the other genders, and either the singular or the plural shall include the other.

Whenever in this lease there is imposed upon Lessor the obligation to use best efforts, Lessor shall be required to do so only to the extent the same is economically feasible and otherwise will not impose upon Lessor extreme financial or other burdens.

All rights and remedies of Lessor under this lease shall be cumulative and none shall exclude any other rights or remedies allowed by law; and this lease is declared to be a Colorado contract, and all of the terms thereof shall be construed according to the laws of the State of Colorado.

The terms and provisions of Addendum to Lease Agreement, Exhibits A and B, Schedules 1, 2, 3, 4, 5 and 5-A, and Rider No. 1 attached hereto are hereby made a part hereof for all purposes.

IN TESTIMONY WHEREOF, the parties hereto have executed this lease as of the date aforesaid.

1700 LINCOLN LIMITED

By: HINES COLORADO LIMITED, a Colorado  
Limited Partnership

By: /s/ Gerald D. Hines  
-----  
Gerald D. Hines, a General Partner  
of Hines Colorado Limited

By: Hines Colorado Corporation, a  
General Partner of Hines Colorado  
Limited

ATTEST:

- \_\_\_\_\_  
Secretary

By: /s/ Gerald D. Hines  
\_\_\_\_\_  
LESSOR

APACHE CORPORATION,  
a Delaware corporation

ATTEST:

/s/ Barbara G. Nielson  
\_\_\_\_\_  
Secretary

By: James R. Bauman  
\_\_\_\_\_  
Vice President  
LESSEE

EXHIBIT A TO LEASE AGREEMENT

[FLOOR PLANS]

A-31

Janitorial Specifications

Cleaning and related services shall be provided five (5) days each week and these days shall be either Monday through Friday inclusive or such other five days as the Owner may from time to time designate. Services shall include, but not be limited to the following:

I. OFFICE AREAS

A. Services performed nightly:

1. Empty, and clean (if necessary) all waste receptacles and remove waste paper and rubbish from the premises.
2. Empty and damp wipe all ash trays; screen all sand urns and supply and replace sand as necessary.
3. Vacuum all rugs and carpet, unobstructed by furniture, in the offices, lobbies and corridors.
4. Hand dust and wipe clean with damp or treated cloth all office furniture, files, fixtures, paneling, window sills and all other horizontal surfaces.
5. Damp wipe and polish all glass furniture tops.
6. Remove all finger marks and smudges from all vertical surfaces, including doors, door frames, around light switches, private entrance glass, partitions, pictures and wall decorations.
7. Wash clean all water coolers.
8. Sweep all stairways and vacuum if carpeted.
9. Sweep all uncarpeted floors employing dust controlled techniques.

B. Services performed as necessary:

1. Wash waste receptacles.
2. Wash window sills.
3. Damp mop floors where spillage occurred.
4. Damp dust and sanitize all telephones.

5. Dress and buff floors to maintain scuff-free high gloss.
6. Dust lights.
7. Vacuum carpet under furniture and along edges.

C. Services performed when requested by Property Manager:

1. Spot clean all rugs in carpeted areas.

D. Services performed monthly:

1. Tile floors waxed and buffed.

E. Services performed quarterly:

1. Strip and reseal floors.

II. RESTROOMS

A. Services performed nightly:

1. Wet mop, and rinse floor.
2. Clean all mirrors, bright work and enameled surfaces.
3. Wash and disinfect all basins, urinals and bowls using nonabrasive cleaners to remove stains and clean undersides of rim on urinals and bowls.
4. Scrub all fixtures using a cleaner to remove all stains.
5. Wash both sides of all toilet seats with soap and water to disinfect.
6. Damp wipe all partitions, tile walls and outside surfaces of all dispensers and receptacles.
7. Empty and sanitize all trash receptacles and sanitary disposals.
8. Fill toilet tissue, soap, towel and sanitary napkin dispensers.
9. Clean flushometers, piping, toilet seat hinges and other metal.

B. Services performed as necessary:

1. Scrub floors.

C. Services performed monthly:

1. Thoroughly wash all partitions, tile walls, dispensers and receptacles.
2. Wash and polish all walls, partitions, tile walls and enamel surfaces from trim to floor.
3. Vacuum all louvers, ventilating grills and dust light fixtures.

- D. It is the intention to keep the restrooms thoroughly cleaned and not to use a disinfectant or deodorant to kill odor. If a disinfectant is necessary, an odorless product will be used.

III. Public Areas

A. Terrazzo flooring

1. Services performed nightly:
  - a. Sweep, heavy wash and dress.  
Buff.

B. Composition floors and bases

Services performed nightly:

- a. Sweep.
  - b. Spray buff.
1. Services performed as necessary:
    - a. Waxed and buffed.
  2. Services performed quarterly:
    - a. Strip and reseal.

C. Carpeted area

Services performed nightly:

- a. Vacuum carpet unobstructed by furnishings.
- b. Spot remove stains.

1. Services performed as necessary:
  - a. Shampooing.
  - b. Vacuum all carpet and edging.
- D. Brick or stone floors
  1. Services performed nightly:
    - a. Sweep, wash and buff.
  2. Services performed quarterly:
    - a. Strip and reseal.
- E. Walls
  1. Services performed as necessary:
    - a. Dust.
    - b. Spot wash.
    - c. Wash thoroughly.
- F. Ceilings
  1. Services performed as necessary:
    - a. Dust.
  2. Services performed monthly:
    - a. Thoroughly dust.
- G. Bright Work
  1. Services performed nightly:
    - a. Dust and polish.
- H. Lights
  1. Services performed as necessary:
    - a. Dust.
    - b. Wash.



I. Elevators

1. Services performed nightly:
  - a. Dust all surfaces, clean and polish all metals.
  - b. If carpet, vacuum and clean.
  - c. If tile, sweep, wash, dress and buff.
2. Services performed as necessary:
  - a. Dust light fixtures.
  - b. Dust ceiling.
  - c. Shampoo carpet.
  - d. If tile, scrub and wax.
3. Services performed quarterly:
  - a. If tile, strip and reseal.

J Ash urns

1. Services performed nightly:
  - a. Clean and polish.
2. Services performed as necessary:
  - a. Empty and replace sand.

K. Water Cooler

1. Services performed nightly:
  - a. Wash, disinfect and dry polish.

L. Stairways and landings

1. Services performed nightly:
  - a. Sweep risers.
  - b. If carpet, vacuum.
  - c. Police.
2. Services performed as necessary:

- a. Dust railing and adjacent areas.
  - b. Dust walls and spot wash walls.
- 3. Services performed weekly:
  - a. If carpet, spot stain removal.
- 4. Services performed monthly:
  - a. Wet mop risers.
- 5. Services performed biannually:
  - a. If carpet, shampoo.
- M. Fire extinguisher and cabinet
  - 1. Services performed as necessary:
    - a. Clean and dust.
- N. Doors
  - 1. Services performed as necessary:
    - a. Dust wooden doors.
- O. Glass
  - 1. Services performed nightly:
    - a. Clean glass entrance doors and adjacent glass panels.
- P. General
  - 1. Services performed nightly:
    - a. Sweep and/or vacuum entrance mats.
    - b. Thoroughly wash transoms high and low.
    - c. Police and spot sweep outside plaza and sidewalk and pick up trash in parking garage.
    - d. Keep slopsink rooms in a clean, neat and orderly condition.
    - e. Remove fingerprints and smudges from directory boards.

- f. Maintain building lobby corridors and other public areas in a clean condition.

2. Services performed as necessary:

- a. Wash and/or shampoo mats and/or blotters.
- b. Hose and/or steam, plaza sidewalk areas.
- c. Dust and/or wash all directory boards.

3. Services performed as requested by Property Manager:

- a. Wipe all interior metal window frames, mullions and other unpainted interior metal surfaces of the perimeter walls of the building each time the interiors of the windows are washed.

4. Services performed quarterly:

- a. Dust and wipe clean all closet shelving when empty and carpet sweep or dry mop all floors in closets if such are empty.
- b. Dust all picture frames, charts, graphs and similar wall hangings.
- c. Dust clean all vertical surfaces such as walls, partitions, door bucks and other surfaces above shoulder height.
- d. Damp dust all ceiling air conditioning diffusers, wall grills, registers and other ventilation louvers.
- e. Dust the exterior surfaces of lighting fixtures, including glass and plastic enclosures.

Q. Day Services

- 1. At least once, but not more than twice during the day check men's washrooms for toilet tissue replacement.
- 2. At least once, but not more than twice during the day check ladies' washrooms for toilet tissue and sanitary napkin replacements.

3. Supply toilet tissue, soap and towels in men's and ladies' washrooms and sanitary napkins in ladies' washrooms.

4. As needed, vacuuming of elevator cabs will be performed.

There will be a constant surveillance of public areas to insure cleanliness.

6. Perform special cleaning needs of individual tenants as authorized by the Property Manager.

#### IV. Exterior Windows

##### A. Services Performed Quarterly:

1. Wash exterior windows.

Upon completion of nightly duties the floor supervisors will insure that all offices have been cleaned and left in a neat and orderly condition, all lights have been turned off, and all doors locked.

This addendum forms an integral part of the Lease Agreement ("Lease") executed this 4th of December, 1986 by and between 1700 Lincoln Limited, as Lessor, and Apache Corporation, as Lessee, as fully as if this addendum were physically incorporated in said Lease Agreement.

ITEM 1. RENEWAL OPTIONS

So long as Lessee is not in default in the performance of its covenants under this Lease, Lessee is hereby granted the option to renew the term of this Lease for all, and not less than all, space then under lease to Lessee for two renewal periods of five (5) years each, to commence at the expiration of the initial term of this Lease ("Renewal Options"). These renewal periods shall hereafter be referred to as the "Renewal Terms." Lessee shall maintain its right to exercise the Renewal Options by delivering written notice of its interest in exercising such option(s) to Lessor, not less than seventeen (17) months prior to the end of the initial lease term or the first Renewal Term, as the case may be. The Basic Rent for the leased premises during the Renewal Terms (inclusive of the portion of Basic Rent attributable to operating expenses and Impositions) shall be equal to ninety percent (90%) of the fair market rental rate for comparable space at the time the Renewal Term commences, which fair market rental rate shall be determined in accordance with SCHEDULE 1 to this Addendum. Adjustments to the Basic Rent shall be calculated and payable as provided in Paragraphs 4(d) and 4(e) of Article II of the Lease. In the event Lessee shall deliver to Lessor written notice of its intent as provided above, Lessor shall, no later than sixteen (16) months prior to the end of the initial lease term or the First Renewal Term, as the case may be, advise Lessee as to what the Basic Rent would be for the leased premises for such Renewal Term. Lessee shall then have until fifteen (15) months prior to the end of the initial lease term or the first Renewal Term, as the case may be, in which to exercise such Renewal Option by delivering written notice of its intent to exercise the option to Lessor. Any such renewal of this Lease shall be upon the same terms and conditions of this Lease, except (a) the Basic Rent during the Renewal Term(s) shall be as set forth above, and all additional rent shall be calculated and payable in accordance with this Lease, (b) Lessee shall have no option to renew this Lease beyond the expiration of said Renewal Terms, (c) Lessee may assign the Renewal Options only to an assignee of all of Lessee's rights under this Lease, pursuant to an assignment approved by Lessor under Paragraph 5 of Article IV of this Lease, and (d) the leasehold improvements will be provided in their then existing condition (on an "as is" basis) at the commencement of the Renewal Term(s).

ITEM 2. FIRST EXPANSION OPTION

So long as Lessee is not in default in the performance of its covenants under this Lease, Lessee shall have and is hereby granted an expansion option ("First Expansion Option") to lease all, but not a portion of, one floor within the Building contiguous to the leased premises and consisting of one of floors thirteen (13) through twenty-three (23), in accordance with the following terms and conditions:

(a) Lessor shall, in its sole discretion, determine which floor meeting the above criteria (the "First Expansion Space") is to be offered to Lessee.

(b) Lessor, no later than twelve (12) months prior to the date on which Lessor would make available to Lessee the First Expansion Space if Lessee exercises the First Expansion Option, shall give Lessee written notice of (i) the size and location of the First Expansion Space; (ii) the date on which the First Expansion Space would be made available to Lessee, provided that such date shall be after May 15, 1988 but no later than November 15, 1988; (iii) the amount of the Basic Rent for the First Expansion Space, which shall be the lesser of either (x) ninety percent (90%) of the fair market rental rate (inclusive of the portion of Basic Rent attributable to operating expenses and Impositions) determined in accordance with Schedule I attached hereto, for a lease term of approximately nine (9) years as of the date on which the First Expansion Space would be made available to Lessee, or (y) \$12.00 (or \$13.00 if Lessor exercised its option pursuant to Paragraph 4(a) of Article II of the Lease) per square foot of net rentable area, plus the Initial Operating Expenses Basic Cost and the Initial Tax Basic Cost; and (iv) the projected Lessee's Share of Computed Operating Expenses and the projected Lessee's Share of Computed Tax Expense for the calendar year in which the First Expansion Space would be made available to Lessee.

(c) Lessee shall exercise the First Expansion Option by giving Lessor written notice of such exercise within thirty (30) days after Lessor's notice pursuant to paragraph (b) of this Item 2 has been given; and upon Lessor's making available the First Expansion Space, Lessee's right to occupy the First Expansion Space shall continue to and expire on the same date Lessee's right to the initial leased premises terminates.

(d) If Lessor does not receive said notice from Lessee within said thirty (30) days, Lessee's right to exercise the First Expansion Option shall expire.

(e) Upon making available the First Expansion Space to Lessee, all references in the Lease to the leased premises and the net rentable area contained in the leased premises shall be adjusted to include the First Expansion Space and the terms

and conditions of the First Expansion Option shall be the same terms and conditions as set forth in this Lease, except that:

1. Up to the expiration of the initial term of the Lease, the Basic Rent for the First Expansion Space shall be the rental rate specified in Lessor's written notice to Lessee. Adjustments to the Basic Rent shall be calculated and payable as provided in Paragraphs 4(d) and 4(e) of Article II of the Lease, and any other additional rent shall be calculated and payable in accordance with the Lease. If Lessee continues to occupy the First Expansion Space in accordance with one or both of the Renewal Options, the Basic Rent for such space shall be established as set forth in Item 1;

2. Lessor shall deliver and Lessee shall accept the First Expansion Space in its then existing condition (on an "as is" basis), and Lessee shall not receive any contribution or allowance from Lessor for any Improvement thereof; and

3. Lessee shall commence payment of Basic Rent, together with the projected Lessee's share of Computed Operating Expenses and Lessee's Share of Computed Tax Expenses for the calendar year in question on the First Expansion Space on the date Lessor makes available to Lessee the First Expansion Space but not sooner than the date specified in Lessor's written notice to Lessee unless Lessee occupies the First Expansion Space prior to said date.

(f) Lessee's net rentable area, as defined in this Lease, shall be adjusted appropriately to include the net rentable area of the First Expansion Space and Lessor and Lessee shall execute, at the request of the either, a recordable instrument delineating and describing Lessee's net rentable area, as so adjusted.

(g) Lessee may assign the First Expansion Option only to an assignee, approved by Lessor under Paragraph 5 of Article IV of the Lease, of all of Lessee's rights under this Lease; Lessee's assignment of the First Expansion Option to any other party shall be void and shall constitute a default under this Lease.

#### ITEM 3. SECOND EXPANSION OPTION

So long as Lessee is not in default in the performance of its covenants under this Lease, Lessee shall have and is hereby granted an expansion option ("Second Expansion Option") to lease all, but not a portion of, one floor within the Building contiguous to the then leased premises and consisting of one of floors thirteen (13)

through twenty-three (23), in accordance with the following terms and conditions:

(a) Lessor shall, in its sole discretion, determine which floor meeting the above criteria (the "Second Expansion Space") is to be offered to Lessee.

(b) Lessor, no later than twelve (12) months prior to the date on which Lessor would make available to Lessee the Second Expansion Space if Lessee exercises the Second Expansion Option, shall give Lessee written notice of (i) the exact size and location of the Second Expansion Space; (ii) the date on which the Second Expansion Space will be made available to Lessee, provided that such date shall be after November 15, 1988 and no later than May 15, 1989; (iii) the amount of the Basic Rent for the Second Expansion Space, which shall be the lesser of either (x) ninety percent (90%) of the fair market rental rate (inclusive of the portion of Basic Rent attributable to operating expenses and Impositions) determined in accordance with SCHEDULE I attached hereto for a lease term of approximately eight (8) years as of the date on which the Second Expansion Space would be made available to Lessee, or (y) \$12.00 (or \$13.00 if Lessor exercised its option pursuant to Paragraph 4(a) of Article II of the Lease) per square foot of net rentable area plus the Initial Operating Expenses Basic Cost and the Initial Tax Basic Cost; and (iv) the projected Lessee's Share of Computed Operating Expenses and the projected Lessee's Share of Computed Tax Expense for the calendar year in which the Second Expansion Space would be made available to Lessee.

(c) Lessee shall exercise the Second Expansion Option by giving Lessor written notice of such exercise within thirty (30) days after Lessor's notice pursuant to paragraph (b) of this Item 3 has been given; and upon Lessor's making available the Second Expansion Space, Lessee's right to occupy the Second Expansion Space shall continue to and expire on the same date Lessee's right to the initial leased premises terminates.

(d) If Lessor does not receive said notice from Lessee within said thirty (30) days, Lessee's right to exercise the Second Expansion Option shall expire.

(e) Upon making available the Second Expansion Space to Lessee, all references in the Lease to the leased premises and the net rentable area contained in the leased premises shall be adjusted to include the Second Expansion Space and the terms and conditions of the Second Expansion Option shall be the same terms and conditions as set forth in this Lease, except that:



1. Up to the expiration of the initial ten-year term of the Lease, the Basic Rent for the Second Expansion Space shall be the rental rate specified in Lessor's written notice to Lessee. Adjustments to the Basic Rent shall be calculated and payable as provided in Paragraphs 4(d) and 4(e) of Article II of the Lease, and any other additional rent shall be calculated and payable in accordance with the Lease. If Lessee continues to occupy the Second Expansion Space in accordance with one or both of the Renewal Options, the Basic Rent for such space shall be established as set forth in Item 1 above;

2. Lessor shall deliver and Lessee shall accept the Second Expansion Space in its then existing condition (on an "as is" basis) and Lessee shall not receive any contribution or allowance from Lessor for any improvement thereof; and

3. Lessee shall commence payment of Basic Rent, together with the projected Lessee's share of Computed Operating Costs and Lessee's share of Computed Tax Expenses for the calendar year in question on the Second Expansion Space on the date Lessor makes available to Lessee the Second Expansion Space but no sooner than the date specified in Lessor's written notice to Lessee unless Lessee occupies the Second Expansion Space prior to said date.

(f) Lessee's net rentable area, as defined in this Lease, shall be adjusted appropriately to include the net rentable area of the Second Expansion Space and Lessor and Lessee shall execute, at the request of the either, a recordable instrument delineating and describing Lessee's net rentable area, as so adjusted.

(g) Lessee may assign the Second Expansion Option only to an assignee, approved by Lessor under Paragraph 5 of Article IV of the Lease, of all of Lessee's rights under this Lease; Lessee's assignment of the Second Expansion Option to any other party shall be void and shall constitute a default under this Lease.

#### ITEM 4. RIGHT OF FIRST OFFER.

So long as Lessee is not in default in the performance of any of its covenants under the Lease and subject to the rights of tenants under any existing leases of space within the Building or the rights of tenants under leases that Lessor may hereafter enter into for space within the Building, ("third-party leases") and any rights of expansion, first refusal, first offer or similar options or rights of any tenant under any of the third-party leases ("third-party rights"), Lessee shall have a continuing right of first offer to lease any space that becomes available on floors 13

through 30, inclusive, at the expiration or earlier termination of any such third-party leases, subject and subordinate to any third-party rights ("Right of First Offer"). Lessor shall use its best efforts to make space available on such floors to accommodate the expansion needs of Lessee, provided, however, that Lessor shall not be obligated to relocate existing tenants, obtain waivers of third party rights or restrict its efforts in negotiating new third party leases or granting new third party rights in order to accommodate Lessee's expansion needs if any of these efforts or activities would adversely effect the overall profitability of Lessor's leasing operations for the entire Building. The Right of First Offer shall be exercised in accordance with and subject to the following terms and conditions:

(a) No earlier than twelve (12) months before an existing third-party lease on space located on floors 13 through 30, inclusive, will or does expire or terminate, Lessor shall notify Lessee in writing of the availability of the space and in addition such notice shall specify the following:

1. The specific location of the space and the exact net rentable area comprising the space; and
2. The date on which said space will become available for leasing by Lessee; and
3. The Basic Rent to be charged by Lessor, which shall include the Initial Operating Expenses Basic Cost and the Initial Tax Basic Cost, which Basic Rent Lessor shall determine in its sole discretion.
4. A description of the nature and extent of all third party rights which may affect the space.

(b) No more than thirty (30) days after Lessee receives Lessor's notice, Lessee shall notify Lessor in writing of Lessee's election concerning exercise of the Right of First Offer as to the space identified in that particular notice from Lessor. If Lessee exercises the Right of First Offer, then the leasing of the subject space identified in Lessor's notice pursuant to paragraph (a)(i) shall be on the same terms and conditions as set forth in the Lease except as follows:

1. That Basic Rent shall be as set forth in Lessor's notice and adjusted as provided in Paragraphs 4(d) and 4(e) of Article II of the Lease. In addition, Lessee shall pay all additional rent calculated in accordance with the Lease.
2. Lessee's obligation to pay rent for any space leased pursuant to its exercise of the Right of First

Offer shall commence on the date such space is made available to Lessee, but no sooner than the date specified in Lessor's notice unless Lessee occupies the space prior to such date; and

3. Lessor shall deliver and Lessee shall accept the subject space in its then existing condition (on an "as is" basis) and Lessee shall not be entitled to receive any con on or allowance from Lessor for improvement thereof;

(c) Lessee's net rentable area, as defined in this Lease, shall be adjusted appropriately to include the net rentable area of the subject space and Lessor and Lessee shall execute, at the request of either, a recordable instrument delineating and describing Lessee's net rentable area, as so adjusted;

(d) Lessee's right to occupy the subject space shall continue to and end at the same time as its right to occupy the leased premises, whether or not that be pursuant to Item 1 above, except in those instances in which the subject space is subject to third-party rights of tenants under renewal or expansion options contained in third-party leases of space in the Building in which event Lessee's right to occupy the subject space will end on the date such space must be made available to such other tenants;

(e) If Lessee does not exercise the Right of First Offer strictly in accordance with this Item 4, the time provisions herein being of the essence, the Right of First Offer shall be deemed waived as it relates to that particular notice and Lessor thereafter shall be free to lease the subject space without restriction (except for Lessee's First and Second Expansion Options if the time for the exercise of such Options has not passed) but the Right of First Offer shall remain in full force and effect as to any other space on floors 13-30, inclusive, that subsequently becomes available (including, at Lessor's option, any space as to which Lessee previously declined to exercise the Right of First Offer and that thereafter again becomes available) during the term of the Lease;

(f) Lessee may not assign the Right of First Offer, or any rights granted thereunder, to any sublessee of the leased premises or to any assignee of Lessee's rights under the Lease, provided, however, that if Lessee has exercised the Right of First Offer and has leased any space on floors 13 through 30, inclusive, pursuant thereto, then thereafter Lessee's right to assign the Lease or sublet the leased premises, including the portion thereof constituting any space leased pursuant to an exercise of the Right of First Offer,

shall be as set forth in paragraph 5 of Article IV of the Lease.

(g) All references to "leased premises" within the Lease shall be deemed to include the net rentable area attributable to any space leased pursuant to an exercise of the Right of First Offer if and when said space is leased by Lessee.

ITEM 5. MINNEAPOLIS LEASE.

Lessor and Lessee acknowledge that Lessee currently has certain rental obligations under an existing lease and related documents dated November 13, 1984, by and between Baput Minneapolis Limited Partnership, a Minnesota limited partnership, as landlord, and Lessee, as tenant (the "Minneapolis Lease") for certain space in the Peavey Building, Minneapolis, Minnesota (the "Minneapolis Space"). Lessee has provided to Lessor a true, complete and correct copy of the Minneapolis Lease, including all modifications and amendments thereto. Lessee shall have the option to have Lessor pay a portion of certain expenses related to the Minneapolis Lease, provided, however, that if Lessee elects to exercise this option, the Basic Rent under the Lease shall be adjusted upward in accordance with paragraph 4(a) of Article II of the Lease. Lessee must provide Lessor written notice of its exercise of the option contained in this Item 5 on or before March 6, 1987. If Lessee should fail to provide Lessor notice of such election by that date, Lessee shall be deemed not to exercise such option and this Item shall no longer be of any force or effect.

In the event Lessee elects to exercise its option as set forth herein, Lessor agrees to pay Lessee on a monthly basis, an amount equal to one-half (1/2) of the "losses" incurred by Lessee under the Minneapolis Lease for each month commencing on the date that Lessee substantially vacates all its space in the Peavey Building or June 1, 1987, whichever occurs later, until December 1, 1994 or the earlier termination or expiration of the Minneapolis Lease. The term "losses" shall be determined by adding (i) the gross rentals payable by Lessee under the Minneapolis Lease, (ii) any increased costs of insurance paid by Lessee on the Minneapolis Space which results from Lessee's abandonment of those premises, and (iii) any commissions, finder's fees, tenant inducements, allowances or concessions which are paid in order to procure subtenants or assignees for any portion of the Minneapolis Space, and then subtracting from such amount any offsets or credits against rents to be paid under the Minneapolis Lease and all rental income received under any subleases or assignments of the Minneapolis Lease. Should Lessor fail to pay its share of the losses under the Minneapolis Lease as set forth above, Lessee shall receive a credit against the next monthly installment of Basic Rent due under the Lease equal to Lessor's unpaid share of losses under the Minneapolis Lease. Lessor's obligation to pay one-half (1/2) of the losses under the Minneapolis Lease shall continue only so long

as (i) Lessee shall continue to observe and perform all material covenants and conditions of the Minneapolis Lease and this Lease, (ii) no event shall have occurred which constitutes an event of default under this Lease, and (iii) no event shall have occurred which constitutes an event of default under the Minneapolis Lease and which shall remain uncured for a period of time in excess of thirty (30) days, or which otherwise gives the landlord under the Minneapolis Lease a right to accelerate rentals due under such lease or to seek material damages from Lessee (which right is exercised by landlord). Any profits realized over the entire term of the Minneapolis Lease as a result of any assignment or sublease of the Minneapolis Space shall remain the property of Lessee. Lessee agrees that, prior to its election of the option set forth in this Item 5, it shall not enter into any amendments or modifications of the Minneapolis Lease which would either increase the losses on the Minneapolis Space or make the Minneapolis Space materially less desirable to a prospective subtenant or assignee. Lessee further agrees that, upon election of the option set forth in this Item 5, it shall not in any way amend or modify the Minneapolis Lease without Lessor's prior written consent, which consent shall not be unreasonably withheld.

If Lessee exercises the option set forth in this Item 5, Lessor and Lessee agree that they shall cooperate with one another and shall keep each other apprised of their respective efforts to procure subtenants or assignees for all or some portion of the Minneapolis Space. If Lessee exercises the option set forth in this Item 5, both Lessor and Lessee must approve of any proposed assignment or sublease of all or any portion of the Minneapolis Space, provided, however, nothing contained herein shall prevent Lessor or Lessee from offering all or some portion of the Minneapolis Space to a prospective sublessee or assignee on terms acceptable to the offering party, provided that such offer shall not be binding upon the non-offering party until it has approved the arrangement. It is acknowledged that certain commissions, finder's fees, tenant inducements, allowances or concessions may have to be paid or given to procure such subtenants or assignees. If any sublease or assignment of the Minneapolis Lease is for a term longer than December 1, 1994, Lessor shall not be required to pay its portion of those costs which are attributable to the portion of the term after December 1, 1994. In the event that Lessee exercises the option set forth in this Item 5 and so long as Lessor has agreed that Lessee shall not be liable for any costs which are attributable to any portion of the term after December 1, 1994, if Lessor shall procure a

subtenant or assignee (other than an affiliate of or entity related to Lessor) for all or any portion of the Minneapolis Space and Lessee shall, for any reason, withhold its consent to such arrangement, all losses thereafter payable annually under the Minneapolis Lease shall be reduced in an amount equal to the annual gross rental such sublease or assignment would have produced. In the event that Lessee exercises the option set forth in this Item 5 and Lessee shall thereafter procure a subtenant or assignee (other than an affiliate of or entity related to Lessee) for all or any portion of the Minneapolis Space and Lessor shall, for any reason, withhold its consent to such arrangement, all losses thereafter payable annually under the Minneapolis Lease shall be increased in an amount equal to the annual gross rental such sublease or assignment would have produced. For the purposes of determining Lessor's payment obligation hereunder the amount of such reduction or increase shall be prorated on an equal monthly basis.

Lessor and Lessee expressly agree that, notwithstanding any provision in this Item 5 to the contrary, Lessor's obligations under this Item 5 are to Lessee only and do not create any rights or benefits in favor of any third party, including but not limited to the landlord under the Minneapolis Lease.

**ITEM 6. ALTERATION AND IMPROVEMENT TO PREMISES.**

Lessor shall cause a single space plan or a series of space plans for the Permanent Space to be prepared under Lessor's direction by Gensler & Associates which shall at a minimum include those items shown in Schedule 2 attached hereto ("Space Plan(s)"). It is the intent of Lessee and Lessor that the Space Plan(s) shall provide for improvements to the Permanent Space which (i) are comparable in quantity and quality to those contained in the Minneapolis Space, (ii) utilize the existing improvements to the Permanent Space if doing so does not materially or adversely affect Lessee's use of the Permanent Space as reasonably determined by Lessor and Lessee, and (iii) are in conformity with the plans and specifications for the Building. In determining the quantity and quality of improvements contained in the Minneapolis Space, reference shall be made to the items shown on Schedule 3 attached hereto.

Upon completion of the Space Plan(s), it shall be submitted to Lessee for its approval, which approval shall not be unreasonably withheld. Lessee shall deliver to Lessor written approval or rejection of the Space Plan(s) no later than six (6) days after Lessee shall receive the Space Plan(s), or any one of them. If Lessee shall fail to provide Lessor with either its written approval of the Space Plan(s) or its rejection with a statement of reasons therefore by said date, each day thereafter shall constitute one day of Lessee Delay. In the event Lessee shall deliver to Lessor notice of its rejection of the Space Plan(s) and the modifications desired by Lessee shall exceed the quality of improvements to the Minneapolis Space, all delay associated with the modification of the Space Plan(s) shall be "Lessee Delay." Any delays associated with any design modification or change order by Lessee after Lessee's approval of the Space Plan(s) shall also constitute "Lessee Delay."

Upon Lessee's approval of the Space Plan(s), Lessor shall promptly cause mechanical and electrical working drawings to be prepared by an engineer and structural consultant. The selection of an engineer and structural consultant by Lessor shall be subject to Lessee's approval, which approval shall not be unreasonably withheld. Failure of Lessee to approve or reject the engineer and structural consultant proposed by Lessor within five (5) days shall be "Lessee Delay." Finally, any other delay in the completion of the improvements to the Permanent Space caused by Lessee's failure to timely perform its responsibilities in accordance with the work schedule attached hereto as SCHEDULE 4 shall constitute "Lessee Delay." Any delay in completion of improvements to the Permanent Space in accordance with the Space Plan(s) on or before the respective Commencement Dates not caused by Lessee Delay shall be deemed to be "Lessor Delay."

Lessor agrees that it will complete the buildout of the Permanent Space at no cost to Lessee except as provided below, in accordance with the Space Plan(s). Lessor shall use its best efforts to complete the buildout of the Permanent Space on or before the respective Commencement Dates. Failure to complete any of the Permanent Space due to Lessee Delay shall not result in any delay of the Commencement Dates or of Lessee's obligations to pay rent as provided in the Lease, or make Lessor liable to Lessee for any damages caused by any delay in buildout or occupancy. For each day of Lessor Delay which results in Lessee's inability to occupy all or a portion of the Permanent Space, the Commencement Date for that portion of the Permanent Space so affected and that portion alone shall be delayed one day, and Lessee's obligation to commence payment of rent for such space shall be similarly delayed; provided, however, that Lessor shall have no liability to Lessee for any damages caused to Lessee as a result of such delay in occupancy. Any failure to complete all of any floor within the Permanent Space caused by Lessor Delay shall result in a delay of the Commencement Date for the entire floor. Any delay in the Commencement Date for a single floor within the Permanent Space shall have no effect upon the Commencement Dates for the other floors comprising the Permanent Space. In the event that the Commencement Date for any portion of the Permanent Space shall be delayed and shall occur after July 1, 1987, the expiration date of the initial term of the Lease shall be extended beyond May 31, 1997 for the period of time that the latest Commencement Date for any portion of the Permanent Space shall exceed July 1, 1987.

Notwithstanding any other provision in this Item 6 to the contrary, Lessee shall be responsible for and shall pay for the following: (i) all furniture, telecommunications equipment, EDP equipment and all other office equipment of whatever nature, (ii) all design fees applicable to items other than those contained in the approved Space Plan(s), (iii) all expenses attendant upon Lessee's relocation or move into the leased premises, (iv) all costs resulting from any change order made by Lessee after Lessee's

approval of the Space Plan(s), including costs of design and construction and costs incurred by Lessor because of the impact of such change orders on previous construct on or on the construction work schedule. Lessee shall pay the costs of the materials and labor for each of the foregoing, together with associated architectural and engineering fees.

In addition to Lessor's obligations hereunder, Lessor shall on April 1, 1987 pay to Lessee the sum of \$400,000.00 in contribution to Lessee's cost of building out the technical service area to be located on the leased premises. Lessor shall provide the space for the technical service area in a shell condition with no walls and the payment of the sum mentioned above shall be Lessor's sole obligation with respect to the technical service area. Lessee shall pay all costs of material and labor, and all associated architectural, engineering or consultancy fees associated with the design and construction of the technical service area. In the event that Lessor shall fail to pay to Lessee the sum of \$400,000.00 on April 1, 1987, the Lessee shall receive a credit against its payment of the monthly installments of Basic Rent under the Lease until such time as the total amount of credits, together with payments made by Lessor to Lessee on account of the technical service area, shall equal the sum of \$400,000.00.

Lessor's obligations hereunder are limited to the provision of items for the initial completion of the Space Plan(s) and Lessor shall have no obligation thereafter to repair or replace any such items that may require repair or replacement after Lessee takes possession of the leased premises except as provided in Article IV, Paragraph 2 of the lease.

#### ITEM 7. STORAGE SPACE

Upon the termination of the Prior Lease as set forth in Paragraph 2 of Article I of the Lease, Lessor shall provide Lessee and Lessee shall lease from Lessor twenty four hundred (2400) square feet of storage space at a location in the Building to be designated by Lessor (the "Storage Space"). Lessee's use and occupancy of the Storage Space shall be subject to such reasonable rules and regulations with respect thereto as Lessor may from time to time adopt. Lessee acknowledges that the Storage Space shall be in "shell condition" only and agrees that it shall accept the space in such condition on the date of delivery of the Storage Space. Lessee shall pay to Lessor as rental for the Storage Space the sum of Six Dollars (\$6.00) per square foot per annum through the term of the Lease. The rental rate for the Storage Space during any renewals of the term of the Lease shall be equal to the then current market rate being charged by Lessor. All rental shall be payable in equal monthly installments with the monthly installments of Basic Rent hereunder. Lessor shall have the right at any time and from time to time to relocate the Storage Space provided that



Lessee shall first be provided with notice and Lessor shall pay all expenses associated with such relocation.

ITEM 8. BROKERAGE COMMISSIONS

Lessee and Lessor represent and warrant that they have dealt with no broker or finder in connection with the negotiation or execution of this lease other than Bauman and Nelson Inc. and John Tietz. Lessee agrees that it will pay all fees and expenses of Bauman and Nelson, Inc. and of John Tietz and will indemnify Lessor against all claims for a broker's, finder's or other commission or fee by anyone claiming by, through or under Lessee.

ITEM 9. MISCELLANEOUS

Whenever in this Addendum it is provided that space will be made available to Lessee between specified dates or during a specified period, Lessor shall choose the date between such specified dates or within such specified period on which such space shall be made available to Lessee. Notwithstanding any other provision in this Lease, Lessor shall have no obligation to make any cash contributions, allowances, payments or loans to Lessee in connection with any option exercised by Lessee pursuant to Items 1-4 in this Addendum.

IN TESTIMONY WHEREOF, the parties hereto have executed this Addendum to Lease Agreement as of the date aforesaid.

1700 LINCOLN LIMITED

By: HINES COLORADO LIMITED, a Colorado  
Limited partnership

By: /s/ Gerald D. Hines  
-----  
Gerald D. Hines, a General  
Partner of Hines Colorado  
Limited

By: Hines Colorado Corporation, a  
General Partner of Hines  
Colorado Limited

ATTEST:

-----  
Secretary

By: /s/ Gerald D. Hines  
-----  
LESSOR

APACHE CORPORATION, a Delaware  
corporation

ATTEST:

/s/ Barbara G. Nielson  
-----  
Barbara Nielson  
Assistant Secretary

By: /s/ James R. Bauman  
-----  
LESSEE  
James R. Bauman, Vice President

DETERMINATION OF FAIR MARKET RENTAL RATE

The "fair market rental rate", as such term is used in Items 1, 2 and 3 of this Addendum, shall mean and refer to the prevailing rental rate (inclusive of operating expenses, taxes and other such costs) per square foot of net rentable area then being offered by landlords to tenants of similar size for comparable space in similar first-class high-rise office buildings located in the downtown Denver, Colorado metropolitan area, which high-rise office buildings were constructed between the calendar years 1983 and 1985, inclusive, which together with the Building shall be referred to as the "Subject Buildings." In determining the fair market rental rate, Lessor shall be entitled to take into consideration (without the same being determinative) the rental rates per square foot of net rental area then being obtained for single tenant occupancy floors in the Subject Buildings in which the leased premises are located, with appropriate adjustment for floor location within the Subject Buildings, the date of signing and the term of any such other lease, rent concessions, tenant finish allowances and credits provided to such other tenant, the amount of space leased, the creditworthiness of the tenant, moving concessions, commissions and any other matter that a reasonably prudent tenant and landlord would consider in the determination of rent and similar items. In addition, in the instances in which the parties seek to determine the fair market rental rate for space that is subject to one of the Expansion Options and that has been built out for another tenant, the parties will take into account the existing condition of the subject space and its suitability for Lessee's use.

MINIMUM INFORMATION REQUIRED OF LESSEE SPACE PLAN

Floor Plans Indicating:

1. Location and type of all partitions.
2. Location and types of all doors - indicate hardware and provide keying schedule.
3. Location and type of glass partitions, windows and doors.
4. Location of telephone equipment room.
5. Indicate critical dimensions necessary for construction.
6. Location of all building standard electrical items - outlets switches, telephone outlets. (Building standard lighting will be determined by building architect.)
7. Location and type of all non-building standard electrical items including non-building light fixtures.
8. Location and type of equipment that will require special electrical requirements. Provide manufacturer's specifications for use and operation.
9. Location, weight per square foot and description of any exceptionally heavy equipment or filing system exceeding 50 psf live load.
10. Requirements for special air conditioning or ventilation.
11. Type and color of floor covering.
12. Location, type and color of wall covering.
13. Location, type and color of building standard and non-building standard paint or finishes.
14. Location and type of plumbing.
15. Location and type of kitchen equipment.

Details Showing:

1. All millwork with verified dimension and dimensions of all equipment to be built-in.
2. Suite entrance.

ARCHITECT AND CONTRACTOR

Landlord will employ Gensler and Associates as project interior architect to provide architectural and space planning services. Any mechanical, electrical or structural engineering required for the project will be provided, paid for and coordinated by the Landlord.

Hines will provide for architects and/or engineering consultants to be available to meet with Tenant representatives in Minneapolis to review progress and collect necessary information as required. All reimbursable expenses will be the responsibility of the Landlord. The Tenant reserves the right to participate in design coordination and construction meetings and may request at any time, meetings with the Architect, Landlord, Engineer and Contractor to discuss the project.

The Landlord will inform Tenant in writing of any requests made by the Tenant that are deemed Additional Service prior to proceeding with the work. Estimates for Additional Service shall be submitted by Landlord simultaneously with notification. If Additional Services are not identified before the work is performed, Tenant will not be responsible.

Mr. Grant Stevens will be the Landlord's lead representative ("Project Manager") to work with the Tenant Architects, Engineer and Contractor throughout the design, construction and move-in process. This individual will have the authority to make decisions on behalf of the Landlord.

A substantial completion date will be established fifteen (15) days prior to scheduled move-in date. A complete punch list will be prepared on that date by the Tenant, Landlord, Architect and Engineer. All punch list items shall be completed within thirty (30) days unless mutually agreed upon by both Tenant and Landlord.

The Landlord will employ a general contractor of size and experience capable of completing a Job of this magnitude within the time constraints established by the approved project schedule.

The Landlord will submit, for Tenant review and approval, unit costs for items identified by the Tenant per Schedule 3.3 to Addendum ("Standard Unit Prices"). Unit costs will apply for all changes made by the Tenant during construction.

APACHE'S MINNEAPOLIS SPACE  
LEASEHOLD IMPROVEMENT STANDARDS

HEATING, VENTILATING AND AIR CONDITIONING (HVAC)

1. A complete quality HVAC system will be installed to serve the office space according to tenant's plans and specifications. All necessary diffusers, ductwork, and controls will be installed in accordance with tenant floor plans.
2. The building HVAC system must meet or exceed all applicable ventilation code requirements.
3. Landlord shall provide exhaust fans sized for task and areas identified on tenant plans. Exhaust fans shall include all equipment, control devices, insulated ductwork and associated electrical.

ACOUSTICAL STANDARDS

Mechanical sound and vibration isolation assemblies and devices for mechanical equipment, piping systems and ductwork distribution to control sound and structure-borne vibration and wall assemblies will be installed within the space to permit attaining sound pressure levels as existing in the areas located in One United Bank Center as described below.

Area ----	Floors/Rooms -----
Halls, corridors and toilets (core area)	45, 48, 49
Lobbies (elevator)	45
Private offices, conference rooms, reception	45
Open office area	48
Board Room	Room No. 4514

CEILINGS

1. The grid suspension system shall be composed of 1'-0" x 1'-0" concealed spine acoustical ceiling tiles. The system will be modified to allow for deck-to-deck wall construction as specified (see partitions).
2. The acoustical ceiling tile shall have a NRC rating of .55-.65 and a STC rating of 35-39.
3. The ceiling shall be installed at a minimum height of 9'-0" above the finished concrete floor for all areas leased and occupied by Apache personnel.

4. Gypsum board ceilings may be installed in the elevator lobbies, reception areas and the board room.

#### FLOORS/FLOOR COVERING

1. All floors within the base office space shall be troweled smooth concrete ready to accept tenant's flooring. Floors shall be constructed to provide level surfaces with accepted industry standards.

2. Floors shall be designed to accept 50 psf live load (general office area) and shall be modified to accept special loading conditions as defined by the tenant on selected areas. Tenant shall be responsible for all costs associated with moveable file systems.

3. Floor covering: All typical office areas will be carpeted. Building standard carpeting for these areas shall have the minimum yarn weight of 32 ounces. To the extent that tenant elects not to use building standard carpet, tenant shall receive a credit of fifteen dollars (\$15.00) per square yard for labor and materials. Any special floor covering materials for the executive floor shall be equal in quality and quantity of materials existing of floor ten (10) in Minneapolis (Executive Floor).

#### WALLS/WALL COVERING

1. Standard office partition walls shall be constructed of metal studs (2-1/2"), 5/8" gypsum drywall both sides, taped, sanded and primed. The walls will be constructed to the underside of the acoustical ceiling. Sound insulation will be installed in the stud cavity and above the ceiling extending 2'-0" each side of the partitions per tenant plans.

2. Full height partition walls shall be constructed from deck to deck. Full height partitions will be constructed per tenant plans. These walls will be constructed of 2-1/2" metal studs, 5/8" gypsum drywall both sides, taped, sanded, primed and acoustically insulated as identified on tenant plans.

3. All private offices and general office areas shall have vinyl wall fabric. All executive offices, reception areas, and board rooms shall have fabric covered walls. Vinyl wall covering shall be of Type 2 quality (20-32 ounce/lineal yard in 54" width), selected by tenant. Painted walls shall be primed and painted with two coats. Fabric wall coverings shall be selected by the tenant and equal to Minneapolis standards.

4. Vinyl base, 2-1/2" straight shall be provided on all walls. Wood base will be provided in the reception area, executive suite and the board room as defined by Tenant. The color will be selected by the tenant.

#### DOORS/FRAMES/HARDWARE

1. All office doors shall be building standard. Fire rated doors, as required, shall be provided. Entry doors shall be selected by the tenant. Entry hardware, including a card access system shall be provided and installed.
2. All wood doors shall be set in building standard RACO frame.
3. All hardware shall be building standard hardware. The landlord shall provide latchsets, locksets, closures, floor stops, coat hooks and silencers as required by the tenant's plans.

#### WINDOW COVERING

1. All exterior windows shall be covered with a fully operating 1" horizontal window blind.
2. Where required, landlord shall install "backing" for the installation of drapes or shades selected by the tenant. (Executive Suites)

#### ELECTRICAL

1. Building standard light fixtures (22-0" x 4'-0", parabolic fluorescent fixture with a 4" deep .025 gauge louver) to be installed and switched in accordance with tenant's reflective ceiling plans.
2. One single pole light switch shall be provided and installed according to tenant plans.
3. Accent/special lighting will be required in selected areas. Lutron dimmer controls shall be installed on all of these fixtures in accordance with approved reflective ceiling plans.
4. Electrical service panels will be installed which will provide a minimum of 4.0 watts/net rentable sq. ft. of space (2.0 watts/sq. ft. net rentable for lighting and other 277/480 volt requirements; 2.0 watts/sq. ft. net rentable for receptacles and other 120/208 volt requirements). Panel boards shall be provided on each floor and equipped with a main breaker. If transformers are required, they shall be provided and installed per specifications.
5. All switch plates, cover plates, wall plates, etc., shall be building standard.
6. Duplex receptacles will be installed per tenant plans and specifications.
7. Telephone and CRT outlets will be installed per tenant plan.



8. Private offices, work stations and selected special use areas may require dedicated circuits for computer equipment.

9. Floor mounted boxes providing power and voice/data communications to tenant's "furniture system" shall be provided by Landlord. Tenant's furniture system will include a power/communications raceway (Haworth).

#### SPRINKLER SYSTEM

1. The sprinkler system will be modified to tenant's plans.

#### PLUMBING

1. A minimum of two chilled water drinking fountains will be installed on each floor of occupied space.

2. All sinks, fixtures, drains, vent pipes, water piping and water heaters will be provided based on tenant plans and specifications per Minneapolis standards.

3. The executive suite will include toilets, urinal, sinks and shower, with full ceramic tile and exhaust fan.

#### COUNTERS/CABINETS

1. Base and upper cabinets will be custom designed and fabricated to specification. Cabinet locations to include executive kitchen, toilet rooms, board room and lunchrooms.

2. All counter tops shall be plastic laminate.

#### LIFE/SAFETY

Any modifications, including expansion, to the life/safety requirements or security system resulting from the tenant's plans and specifications will be the responsibility of the landlord with the exception of the computer room.

## STANDARD UNIT PRICES

The following list identifies items for which Apache Corporation requests unit prices. All unit prices should include material, labor, equipment, tax and contractor's mark-up.

	UNIT
1. ELECTRICAL: Includes cable, device, J-box, conduit, cover plates, etc.	
Wall Outlet (Duplex)	EA.
Wall Outlet (Double Duplex)	EA.
Floor Outlet (Duplex)	EA.
Floor Outlet (Double Duplex)	EA.
Dedicated Circuit (Floor)	EA.
Dedicated Circuit (Wall)	EA.
Single Pole Switch	EA.
Dimmer Switch for Incandescent Light	EA.
CRT/Tele. (Wall) No Cable	EA.
CRT/Tele. (Floor) No Cable	EA.
Incandescent Recessed Light (Std.)	EA.
Furnish & Install Standard Fluorescent Fixture	EA.
2. MECHANICAL:	
Ceiling Exhaust fan (Including all electrical, grills, ductwork, etc.)	
150 CFM	EA.
300 CFM	EA.
3. PLUMBING: Include pipe, fixture, valves, etc.	
Sink (i.e., coffee station, workroom)	EA.
4. WALLS:	
Standard 9'-0" Wall without insulation	LF.
Standard 9'-0" Wall with Insulation	LF.
Full Height (Deck to Deck)	LF.
5. BASE:	
Vinyl Base (Std. 2 1/2" straight)	LF.
Wood Base (4")	LF.
6. DOORS/FRAMES:	

Standard full height solid core wood door with RACO frame and latchset	EA.
Standard wood door, wood frame and latchset	EA.

7. HARDWARE:

Lockset (Premium to change latchset to lockset)	EA.
-------------------------------------------------	-----

8. COUNTERS/CABINETS:

Wall mount upper cabinets	LF.
Base cabinets with plastic laminate countertops	LF.

WORK COMPLETION SCHEDULE

[omitted from original document]

SCHEDULE 5 TO ADDENDUM TO LEASE AGREEMENT DATED MAY 4, 1984

1. Building standard air conditioning system throughout the leased premises in accordance with Schedule 3-A attached hereto.
2. Unlimited building standard ceiling and lighting throughout the leased premises.
3. Unlimited building standard height partitioning.
4. Unlimited building standard doors and frames with latchset hardware. One (1) lockset in lieu of latchset for each corridor door entering the leased premises (but not to exceed one (1) per floor).
5. Building standard wall mounted telephone outlets as required by Lessee's plans, not to exceed one (1) per every two hundred ten (210) square feet of floor area occupied by Lessee outside the core area of the Building ("Usable Area").
6. Building standard wall mounted duplex electrical outlets as required by Lessee's plans, not to exceed one (1) per every one hundred twenty (120) square feet of Usable Area.
7. One (1) wall-mounted toggle light switch per every three hundred (300) square feet of Usable Area.
8. Building standard carpet throughout office premises.
9. Horizontal slat aluminum mini-blinds for all exterior window openings.

10. Holidays:

The following days shall constitute "holidays" as said term is used in this lease:

- (1) New Year's Day
- (2) Memorial Day
- (3) Independence Day
- (4) Labor Day
- (5) Thanksgiving Day
- (6) Friday following Thanksgiving Day
- (7) Christmas

If in the case of any holiday listed in (1) through (7) a different day shall be observed than the respective days described in (1) through (7), then that day which constitutes the day observed by national banks in Denver, Colorado, on account of such holiday shall constitute the holiday under this lease.

11. Air Conditioning and Heating:

Upon and subject to the provisions of Paragraph 1 of Article III of this lease, Lessor will furnish building standard air conditioning and heating during the normal business hours of the Building. Until Lessor reasonably elects to change the same, the normal business hours of the Building shall be 7 a.m. to 6 p.m. five days a week, that is, from Monday through Friday, inclusive, and from 9 a.m. to 1 p.m. on Saturdays, exclusive of holidays. Upon request of Lessee, Lessor will use its best efforts to furnish air conditioning and heating at other times (that is, at times other than the times specified above); provided, however, Lessee must request such additional services before 2:00 p.m. on the day Lessee desires the same, unless Lessee desires the same on a Saturday, Sunday or holiday, in which event Lessee must request such additional services before 2:00 p.m. on the business day prior to the Saturday, Sunday or holiday. If such services are furnished by Lessor at any such other times, Lessee shall pay Lessor twenty dollars (\$20.00) per half-floor per hour of such service to the leased premises during the year 1986, and a rate which may be increased thereafter to reflect any increases in Lessor's actual cost for furnishing such services.

12. To the extent that Lessee elects not to use building standard carpet, Lessee shall receive a credit toward the charges incurred by Lessee for the carpet selected by Lessee of fifteen dollars (\$15.00) per square yard for labor and materials.

HVAC SPECIFICATIONS

- a. Outside design conditions are as follows:

	Dry Bulb DEG. F	Wet Bulb DEG. F
	-----	-----
Summer Outside Air Temperature	91	63
Winter Outside Air Temperature	1	--

- b. Cooling inside design conditions are as follows:

	Dry Bulb DEG. F	Wet Bulb DEG. F
	-----	-----
Inside Temperature (Offices & Lobbies)	78	64
Elevator Machine Rooms	85	--

- c. Heating inside design conditions are as follows:

	Dry Bulb DEG. F	Wet Bulb DEG. F
	-----	-----
Inside Temperature (Offices & Lobbies)	72	--
Penthouse and Basement Machine Rooms	65	--

- d. Elevation: 5,280 feet above sea level.

Rider No. 1

#### Garage Parking

Rider No. 1 to Lease Agreement dated \_\_\_\_\_, 198\_\_, by and between 1700 Lincoln Limited, as Lessor and Apache Corporation as Lessee.

Lessor hereby agrees to make available to Lessee, each month and on a month-to-month basis, for use by Lessee's employees, during the initial ten-year term of this lease and any renewal terms, permits to park on an assigned basis six (6) automobiles and permits to park on an unassigned basis, up to three hundred twenty (320) automobiles (hereinafter called the "Garage Parking Permits") in the parking garage (hereinafter called the "Garage") constructed by Lessor on all or a part of Lots 11 through 20 and a portion of Lot 10 (together with those portions of the vacated alley adjacent thereto), Block 35, H. C. Brown's Addition to the City and County of Denver, Colorado. In addition, Lessor agrees to make available to Lessee, for use by Lessee's employees, during said initial ten-year term, one additional permit to park, on an unassigned basis, one automobile for each full five hundred (500) square feet of net rentable area then leased by Lessee pursuant to the First Expansion Option, Second Expansion Option or Right of First Offer as provided in the Addendum to Lease Agreement of even date between Lessor and Lessee. During the initial ten-year term of this lease, all parking spaces made available shall be at a charge to Lessee equal to eighty percent (80%) of the then current market rate being charged by Lessor. During any renewal term of this lease, all parking spaces made available shall be at a charge equal to one hundred percent (100%) of the then current market rate being charged by Lessor.

In the event all or a portion of the Garage is destroyed by fire or other casualty, Lessor shall use reasonable efforts to rebuild the same or another garage of comparable quality, but Lessor shall otherwise have no liability relating thereto.

Such of Lessee's employees as have been issued computer activating cards will have access to the Garage twenty-four (24) hours per day and seven (7) days per week through use of such cards, but subject to computer malfunction, construction work within or to the Garage or access thereto, or any other matter beyond Lessor's reasonable control.



## ATTORNMEN AND NON-DISTURBANCE AGREEMENT

This Attornment and Non-Disturbance Agreement ("Agreement") is dated as of this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_, by and between APACHE CORPORATION, a Delaware corporation ("Tenant") and ARICO AMERICA REALESTATE INVESTMENT COMPANY, a Nevada corporation ("ARICO").

### RECITALS

A. Tenant is a lessee under a certain Lease Agreement dated December 5, 1986 ("Lease") entered into with 1700 Lincoln Limited, a Colorado limited partnership, wherein Tenant has leased certain premises described as:

Floors 14, 15, 16, 17, 18, 19 and 20 in the building presently constructed on all or part of Lots 16 through 30 and a portion of Lot 31 (together with those portions of the vacated alley adjacent thereto), Block 30 of H.C. Brown's Addition to the City and County of Denver, Colorado.

The foregoing real property and all improvements located thereon shall be referred to as the "Premises".

B. ARICO is the beneficiary of a Deed of Trust, Security Agreement and Assignment of Rents dated May 5, 1981 and recorded on July 2, 1981 in Book 2404 on Page 447 of the real property records for the City and County of Denver (the "Mortgage").

C. The Mortgage affects and pertains to real property which includes the Premises and is an interest in the Premises prior and superior to Tenant's interest in the Premises under the Lease.

D. In the event of foreclosure or acceptance of a deed in lieu of foreclosure of the Mortgage, Tenant desires to attorn to ARICO as its landlord and in consideration of such attornment, ARICO wishes to assure Tenant that its continued possession of the Premises under the Lease shall not be disturbed, all in accordance with the terms and conditions set forth herein.

### AGREEMENT

In consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Upon notice of a completion of a foreclosure of the Mortgage or acceptance of a deed in lieu of foreclosure of the Mortgage, Tenant agrees to attorn to ARICO as if ARICO were the Landlord under the Lease, with such attornment to be effective and self-operative immediately upon receipt of such notification. At such time, Tenant agrees to perform all its duties and obligations

under the Lease in favor of ARICO, including but not limited to, directing payment of all of its rent obligations to ARICO.

2. So long as Tenant is in full compliance with all of the terms, covenants and conditions on part of Tenant to be observed and performed under the Lease, ARICO agrees that Tenant's right of peaceful and quiet possession of the Premises under the Lease and all other rights and privileges of Tenant under the Lease shall not be disturbed or affected in any way by the foreclosure of the Mortgage or acceptance of a deed in lieu of foreclosure of the Mortgage.

This Agreement has been executed by the parties as of the date first written above.

ARICO:

ARICO AMERICA REALESTATE INVESTMENT COMPANY, a Nevada corporation

By \_\_\_\_\_  
Its \_\_\_\_\_

TENANT:

APACHE CORPORATION, a Delaware corporation

By \_\_\_\_\_  
Its \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
                                  ) ss.  
COUNTY OF \_\_\_\_\_ )

This instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_, by \_\_\_\_\_, as \_\_\_\_\_ of ARICO America Realestate Investment Company, a Nevada corporation.

Witness my hand and official seal.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public  
\_\_\_\_\_  
\_\_\_\_\_  
Address

STATE OF COLORADO    )  
                              )    ss.  
COUNTY OF DENVER    )

      This instrument was acknowledged before me this 13th day of January, 1987  
by James R. Bauman, as Vice President of Apache Corporation, a Delaware  
corporation.

      Witness my hand and official seal.

-----  
Linda Rich, Notary Public 1700 Lincoln Street, Suite 4900  
Denver, Colorado 80203-4549

My Commission Expires February 5, 1989

[Amendment to Lease Agreement]

FIRST LEASE AMENDMENT

THIS FIRST LEASE AMENDMENT ("Amendment") is entered into as of the 1st day of June, 1988, by and between 1700 LINCOLN LIMITED, a Colorado limited partnership ("Lessor") and APACHE CORPORATION, a Delaware corporation ("Lessee").

RECITALS

A. Lessor and Lessee entered into a Lease Agreement dated December 4, 1988 (which together with all Schedules, Riders, Exhibits and Addenda thereto shall be collectively referred to as the "Lease"). All terms used in this Amendment and not otherwise defined herein shall have the same meaning as set forth in the Lease.

B. The Lease affects and pertains to approximately 159,447 square feet of net rentable area located on floors 14-20 of the building constructed on a portion of Block 30 of H.C. Brown's Addition in the City and County of Denver, commonly referred to as One United Bank Center.

C. Lessor and Lessee now mutually desire to amend the Lease as set forth herein.

AMENDMENT

In consideration of the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

1. NO STORAGE SPACE. Effective as of May 31, 1988, Item 7 of the Addendum to Lease Agreement attached to the Lease shall be deleted and shall no longer be of any force or effect. Accordingly, from and after such date, Lessee shall not lease the Storage Space from Lessor. Lessee agrees that it shall vacate the Storage Space and remove all of its property from such space no later than May 31, 1988.

2. NO EXPANSION OPTIONS. Item 2 and Item 3 of the Addendum to Lease Agreement attached to the Lease are hereby deleted and shall no longer be of any force or effect. Accordingly, Lessee shall no longer have or enjoy the First Expansion Option or the Second Expansion Option or any other rights thereunder.

3. WAIVER OF RIGHT OF FIRST OFFER. Item 4 of the Addendum to Lease Agreement attached to the Lease is hereby amended so that the Right Of First Offer shall not arise until after April 3, 1993. Item 4 of the Addendum to Lease Agreement shall not be effective,

and Lessee shall not enjoy the Right of First Offer, until after April 3, 1991.

4. NO OTHER AMENDMENTS. Except as expressly set forth herein, the Lease shall remain unmodified and in full force and effect.

This First Lease Amendment has been executed by Lessor and Lessee as of the date first set forth above.

LESSOR:

1700 LINCOLN LIMITED,  
a Colorado limited partnership

By: Hines Colorado Limited,  
General Partner of  
1700 Lincoln Limited

By: /s/ (signature illegible)  
-----  
Gerald D. Hines,  
a General Partner of  
Hines Colorado Limited  
By: Hines Colorado Corporation,  
a General Partner of  
Hines Colorado Limited

By: /s/ (signature illegible)  
-----  
Gerald D. Hines, President

LESSEE:

APACHE CORPORATION,  
a Delaware corporation

By: /s/ (signature illegible)  
-----  
Its: Director, Office Services

[Amendment to Lease Agreement]

SECOND LEASE AMENDMENT

THIS SECOND LEASE AMENDMENT ("Amendment" is entered into as of the 21st day of June, 1991, by and between 1700 LINCOLN LIMITED, a Colorado limited partnership ("Lessor") and APACHE CORPORATION, a Delaware corporation ("Lessee").

RECITALS

A. Lessor and Lessee entered into a Lease Agreement dated as of December 4, 1986, as amended by a First Lease Amendment dated as of June 1, 1988 (which together with all schedules, riders, exhibits and addenda thereto shall be collectively referred to as the "Lease"). All terms used in this Amendment and not otherwise defined herein shall have the same meaning as set forth in the Lease.

B. The Lease affects and pertains to approximately 159,447 square feet of net rentable area located on floors 14-20 of the Building constructed on a portion of Block 30 of H.C. Brown's Addition in the City and County of Denver, commonly referred to as One United Bank Center.

C. Lessor and Lessee now mutually desire to amend the Lease as set forth herein.

AMENDMENT

In consideration of the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

1. LEASE OF ADDITIONAL SPACE. Paragraph 1 of Article I of the Lease is amended through the addition of the following as subparagraph (d).

(d) ADDITIONAL SPACE. The "Additional Space" shall consist of approximately 7,799 square feet of net rentable area on the 23rd floor of the Building at the location shown on the floor plans attached as Exhibit A to the Amendment.

In addition, the definition of "leased premises" contained within Paragraph 1 of Article I of the Lease is expanded to include the Additional space.

2. TERM OF LEASE FOR ADDITIONAL SPACE. Paragraph 1(a) of Article II of the Lease is amended through the addition of the following as subparagraph (d):

(d) ADDITIONAL SPACE. The term of this lease for the Additional Space shall be nine (9) months, to commence on July 1, 1991 and to expire on March 31, 1992, and thereafter on a month-to-month basis; provided, however, that from and after March 31, 1992, either party shall have the right to terminate the lease with respect to the Additional Space by providing the other party with no less than thirty (30) days prior written notice of their election to terminate. The exercise by Lessor or Lessee of the option to terminate this lease as it pertains to the Additional Space shall have no affect upon the respective parties' rights or obligations under this Lease to the leased premises other than the Additional Space.

3. RENT FOR ADDITIONAL SPACE. Paragraph 3(a) of Article II of the Lease is amended through the addition of the following as subparagraph (3):

ADDITIONAL SPACE. Lessee shall pay Lessor Basic Rent for the Additional Space equal to the sum of Eleven Dollars (\$11.00) per square foot of net rentable area per year, which includes the "Initial Tax Basic Cost" and the "Initial Operating Expenses Basic Cost," as defined below. The Initial Tax Basic Cost with respect to the Additional Space shall be \$1.29 per square foot of net rentable area. The Initial Operating Expenses Basic Cost with respect to the Additional Space shall be \$3.75, PLUS the Management Fee Contribution calculated using that figure, per square foot of net rentable area.

4. CONDITION OF ADDITIONAL SPACE. Lessor shall paint the Additional Space and clean the carpet. Except for the foregoing, Lessee hereby accepts the Additional Space in its existing condition on an "As-Is" basis; Lessee acknowledges and agrees that Lessor shall have no obligation to make any improvements to the Additional Space; and Lessee further acknowledges and agrees that Lessor shall have no obligation to make any contribution or concession to Lessee in connection with any improvements undertaken by Lessee to the Additional Space.



5. NO OTHER AMENDMENTS. Except as expressly set forth herein, the Lease shall remain unmodified and in full force and effect.

LESSOR:

1700 LINCOLN LIMITED

By: HINES COLORADO LIMITED,  
a Colorado limited partnership

By:

-----  
Gerald D. Hines,  
a General Partner of  
Hines Colorado Limited

By: Hines Colorado  
Corporation, a General  
Partner of Hines Colorado  
Limited

By:

-----  
Gerald D. Hines,  
President

LESSEE:

APACHE CORPORATION,  
a Delaware corporation

By: /s/ (signature illegible)

-----  
Its: (illegible)  
-----

[map of premises covered by Second Lease Amendment]

[Amendment to Lease Agreement]

THIRD LEASE AMENDMENT

THIS THIRD LEASE AMENDMENT ("Amendment") is entered into as of the \_\_\_\_ day of \_\_\_\_\_, 1992, by and between 1700 LINCOLN LIMITED, a Colorado limited partnership ("Lessor"), and APACHE CORPORATION, a Delaware corporation ("Lessee").

RECITALS

A. Lessor and Lessee have entered into a Lease Agreement dated as of December 4, 1986, as amended by a First Lease Amendment dated as of June 1, 1988 and a Second Lease Amendment dated as of June 21, 1991 (which, together with all schedules, riders, exhibits and addenda thereto shall be collectively referred to as the "Lease". All terms used in this Amendment and not otherwise defined herein shall have the same meaning as set forth in the Lease.

B. The Lease affects and pertains to approximately 167,446 square feet of net rentable area located on Floors 14-20 and 23 of the Building constructed on a portion of Block 30 of H.C. Brown's Addition in the City and County of Denver, Colorado, commonly referred to as One Norwest Center and formerly known as One United Bank Center.

C. Lessor and Lessee now mutually desire to amend the Lease as set forth herein.

AMENDMENT

In consideration of the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

1. Article IV, Section 5(b) shall be amended by replacing the first sentence of that Section with the following sentence:

Subject to Lessor's prior written approval of each Subtenant, which approval shall not be unreasonably withheld or delayed, Lessee may sublet the leased premises, provided that each Subtenant's use of the leased premises is consistent with paragraph 2 of Article II.

2. Article IV, Section 5(c) is hereby deleted in its entirety.

3. Except as expressly set forth herein, the Lease shall remain unmodified and in full force and effect.

THIS THIRD LEASE AMENDMENT has been executed by Lessor and Lessee as of the date first set forth above.

LESSOR:

1700 LINCOLN LIMITED,  
a Colorado limited partnership

By: HINES COLORADO LIMITED, General  
Partner of 1700 Lincoln Limited

By: /s/ Gerald D. Hines

-----  
Gerald D. Hines,  
a general partner of  
Hines Colorado Limited

By: HINES COLORADO CORPORATION,  
a General Partner of Hines  
Colorado Limited

By: /s/ Gerald D. Hines

-----  
Gerald D. Hines, President

LESSEE:

APACHE CORPORATION,  
a Delaware corporation

By: /s/ (signature illegible)  
Its: Vice President

EXHIBIT A  
SUBLEASED PREMISES

[map of premises covered by Third Lease Amendment]

EXHIBIT C  
WORK LETTER TO SUBLEASE

THIS WORK LETTER is attached to and made a part of the Sublease dated January 29, 1993, pursuant to which APACHE CORPORATION ("Sublandlord"), has subleased to TELETECH TELECOMMUNICATIONS, INC., a California corporation, and TeleTech TeleServices, Inc., a Colorado corporation (collectively, "Subtenant"), the 14th and 15th floors of One Norwest Center located at 1700 Lincoln Street, Denver, Colorado.

1. PRELIMINARY DRAWINGS. Sublandlord and Subtenant have approved the preliminary drawings (the "Preliminary Drawings") for improvements to be constructed in the Subleased Premises (the "Leasehold Improvements") prepared by Gensler & Associates (the "Architect"). The Preliminary Drawings shall be used as the basis for developing final drawings for the Leasehold Improvements.

2. APPROVAL OF CONSTRUCTION DRAWINGS. Immediately upon the date of execution of this Sublease, Subtenant shall cause the Architect to promptly and diligently commence and thereafter pursue to completion the preparation of the final drawings, plans and specifications for the Leasehold Improvements (the "Final Draft Drawings") whereupon Subtenant shall forward the Final Draft Drawings to Sublandlord. Within 5 business days after receipt of the Final Draft Drawings, Sublandlord shall, by written notice to Subtenant and the Architect, either approve the Final Draft Drawings or state the specific items thereof which Sublandlord disapproves and the reasons therefor. Sublandlord's approval shall not be unreasonably withheld, provided the Final Draft Drawings are consistent with the Preliminary Drawings, the Lease and are otherwise approved by Lessor. If Sublandlord disapproves of any aspect of the Final Draft Drawings, Subtenant shall cause the Architect to revise the applicable documents to address Sublandlord's objections, and shall deliver such revised documentation to Sublandlord. Sublandlord shall then have 2 business days after receipt of such revisions within which to review the revised documents and respond in writing to Subtenant and the Architect in the same manner as provided above. Thereafter, the parties shall continue to cooperate to review, revise and finalize the Final Draft Drawings in the same manner and subject to the same time frames as provided above. The fully approved Final Draft Drawings shall be signed by Sublandlord and Subtenant and thereafter shall be referred to as the "Construction Drawings."

3. RESPONSIBILITY FOR DESIGN. Notwithstanding that the Construction Drawings may be reviewed and approved by Sublandlord and any other input Sublandlord may have with respect to the Leasehold Improvements, Subtenant is solely responsible for the design, function and maintenance of all Leasehold Improvements.

Further, such involvement with the Construction Drawings by Sublandlord and its architect and other representatives shall not constitute any representation or warranty by Sublandlord or such architects as to the adequacy, efficiency, performance or desirability of any space layout or improvements. Subtenant and Architect shall be solely responsible for ensuring that the design and improvements of the Subleased Premises comply with the Americans With Disabilities Act (the "ADA"), and Subtenant shall hold harmless Sublandlord in connection therewith. After completion of the Leasehold Improvements, any modifications, alterations and improvements in the Subleased Premises which may be required pursuant to the ADA shall be made by Subtenant at its sole cost and expense. It is understood that Subtenant will look solely to Lessor for compliance with the ADA with respect to those portions of the core and common areas of the Building which are not part of the Subleased Premises.

4. CONSTRUCTION OF LEASEHOLD IMPROVEMENTS. Promptly after the mutual execution of the Sublease and approval of the Construction Drawings, Subtenant shall furnish, construct and install the Leasehold Improvements in substantial compliance with the Construction Drawings. All such work shall be undertaken and completed by Subtenant in compliance with the terms of the Master Lease. All costs and expenses associated with the design, construction and installation of the Leasehold Improvements shall be paid by Subtenant including, without limitation, all architectural design, engineering, construction and construction management fees associated with the construction of the Leasehold Improvements, some or all of which shall be paid out of the Improvement Allowance, as defined in paragraph 6 of this Work Letter. Subtenant shall pay all such costs and expenses promptly as they come due, some or all of which shall be paid out of the Improvement Allowance, and specifically shall comply with the terms of Article IV, Section 6(d) of the Master Lease in not allowing any lien or encumbrance to be attached or placed upon Lessor's or Sublandlord's title or interest in the Premises, the Subleased Premises, the Building or the Land.

5. SUBLANDLORD'S OBLIGATIONS. Sublandlord shall have no obligations with respect to Subtenant's contractors other than to deliver the Subleased Premises as of the date of commencement of this Sublease. Subtenant shall be solely responsible for all of the activities of its contractors and subcontractors. Sublandlord and its representatives shall have reasonable access to the Subleased Premises to review and inspect the work being undertaken pursuant to this Work Letter.

6. IMPROVEMENT ALLOWANCE. Sublandlord shall make available to Subtenant an allowance in the amount of \$1,114,225.00 (the "Improvement Allowance") to pay the costs of design, construction and installation of the Leasehold Improvements, but excluding any moveable furniture, equipment, personal property and other trade

fixtures not physically attached to the Subleased Premises. Sublandlord shall make advances of the Improvement Allowance to Subtenant (or, at Sublandlord's option, jointly to Subtenant and Subtenant's contractor) as the construction of the Leasehold Improvements progresses. Advances shall be made not more frequently than once per month, and shall be conditioned upon the allowance being used for proper purposes and (a) Sublandlord's receipt of copies of all invoices or other evidence reasonably acceptable to Sublandlord, substantiating the amount of the costs incurred by Subtenant and that the costs have been incurred for design, construction and installation of the Leasehold Improvements, (b) certification by Subtenant's architect and the construction manager that the work for which payment is requested has been completed substantially in accordance with the approved Construction Drawings, as amended by approved changed orders; and (c) Sublandlord's receipt of lien waivers in form and substance satisfactory to Sublandlord from the contractor and all subcontractors, and certification from the construction manager that such lien waivers satisfy the requirements of this Work Letter. Advances shall be made within 30 days after Sublandlord's receipt of Subtenant's request and such required documentation. If Subtenant's construction manager requests modifications to the foregoing payment schedules and procedures, such changes shall be made with the prior written consent of Sublandlord, which consent shall not be unreasonably withheld, conditioned or delayed. Subtenant shall have no claim to any portion of the Improvement Allowance which it does not use for design, construction and installation of the Leasehold Improvements. Sublandlord may reject any requests for draws on the Improvement Allowance which are made more than 60 days after the date Subtenant commences occupancy of any of the Subleased Premises.

7. ADJUSTMENT TO BASIC RENT. If the total amount of the Improvement Allowance which is actually paid by Sublandlord is less than \$1,114,225.00, then the monthly installments of Basic Rent shall be reduced by the amount necessary to amortize the unused portion of the Improvement Allowance in equal monthly installments, with interest at 8% per annum, over the then remaining term of the Sublease. A corresponding adjustment shall be made to the total Basic Rent due for the balance of the term of this Sublease. Upon the final payment from the Improvement Allowance, Sublandlord shall give written notice to Subtenant of the revised Basic Rent. Sublandlord and Subtenant shall, within 5 days following the request of either party, execute and deliver an amendment to this Sublease specifying the Basic Rent, as so adjusted.

8. COORDINATION WITH LESSOR AND MASTER LEASE. Subtenant shall be responsible for having all Leasehold Improvements reviewed and approved by Lessor and to have all design, construction and installation work comply with the terms of the Master Lease. Sublandlord has made no representations or warranties as to

Lessor's review of or consent to the Construction Drawings or Leasehold Improvements.

9. CHANGE ORDERS. All changes in the Construction Drawings will be subject to Sublandlord's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. Material change orders, as determined by Sublandlord in its reasonable discretion, shall also be subject to the written approval of Lessor.

10. FAILURE TO PERFORM. Any default by Subtenant under this Work Letter shall constitute a default under the Sublease affording Sublandlord all of the rights and remedies available to it under the Sublease.

11. CONSTRUCTION MANAGER. The terms of this Work Letter have been approved by Sublandlord in reliance upon Subtenant's representation that Subtenant will be retaining Hines Interests Limited Partnership ("Hines") to act as construction manager for the construction of the Leasehold Improvements. Hines is also property manager of the Building for Lessor and, in such capacity, will also be acting on behalf of Lessor to assure Lessor and Sublandlord that the Leasehold Improvements are in compliance with the terms of the Master Lease. If the construction manager is anyone other than Hines, Sublandlord shall have the right to withdraw its approval of this Work Letter, in which event the terms of this Work Letter shall be revised to include such other reasonable covenants, procedures and warranties as Hines, Lessor or Sublandlord may deem necessary.

12. COMPLETION AND RENT COMMENCEMENT DATE. Subtenant's obligation for the payment of Basic Rent pursuant to the Sublease will commence as of September 1, 1993, the Sublease Rent Commencement Date, as set forth in this Sublease. Delays in the completion of the Leasehold Improvements shall not affect the validity or continuance of this Sublease, nor the term or obligations of Subtenant under this Sublease. In the event of delays in the completion of construction of the Leasehold Improvements outside of the control of Subtenant, Subtenant shall have the right to request a delay in the Sublease Rent Commencement Date of up to one month on the terms provided in this paragraph. In order to request any such delay in the Sublease Rent Commencement Date, Subtenant shall, upon the occurrence of a delay outside of its control, give prompt written notice to Sublandlord of such delay and the circumstances surrounding the delay. Thereafter, Subtenant shall use good faith efforts to make up for the time lost as a result of the delay. If Subtenant is unable to make up such lost time caused by the delay outside of the control of Subtenant, the Sublease Rent Commencement Date shall be delayed one day for each day's delay.



There shall be no extension of the Sublease Rent Commencement Date to the extent the delay is caused by a Subtenant Delay. "Subtenant Delay" means any delay in the completion of the Leasehold Improvements caused in whole or in part by any act or omission of Subtenant, its agents, employees or contractors, which has the effect of hindering or delaying timely completion of any of the Work, including, but not limited to delays caused by: (a) Subtenant's failure to supply in a timely manner any information necessary to complete the Construction Drawings; (b) modifications, revisions and changes to the construction Drawings requested by or on behalf of Subtenant; (c) changes in the work requested by or on behalf of Subtenant, or orders to halt or delay the work given by or on behalf of Subtenant, whether or not such order is permitted hereunder; and (d) any other delay of any kind or nature caused by Subtenant, its employees, agents or contractors.

The determination as to whether a delay is a Subtenant Delay or a delay is outside of the control of Subtenant and the number of days' delay in the Sublease Rent Commencement Date shall be made by Sublandlord in its sole discretion. Upon Sublandlord confirming the existence and the extent of any such delay for which an extension is permitted, the Basic Rent shall be recalculated over the balance of the remaining term of this Sublease, using the same principles as used in originally calculating the Basic Rent.

[Hines Interests Limited Partnership letterhead]

February \_\_\_\_\_, 1993

Apache Corporation  
2000 Post Oak Blvd., Suite 100  
Houston, TX 77056-4400

Attention: Greg Pyles

Ladies and Gentlemen:

Pursuant to that certain Lease Agreement dated December 4, 1986, between you as Lessee and 1700 Lincoln Limited as Lessor, as amended (the "Lease Agreement"), we hereby consent to your request to sublease 44,569 square feet on Floors 14 and 15 of One Norwest Center to TeleTech Telecommunications, Inc., a California corporation, and TeleTech Teleservices, Inc., a Colorado corporation (together "TeleTech"), from June 1, 1993 to May 31, 1997.

This consent applies only to your subleasing the above described space to TeleTech for the term stated and shall in no manner be construed as consent to further subletting or assigning.

By this consent 1700 Lincoln Limited does not approve or disapprove the sublease agreement and neither the execution of the sublease agreement, nor anything done pursuant to the provisions thereof, nor this consent shall be deemed or taken to modify the Lease Agreement.

Very truly yours,

1700 LINCOLN LIMITED

By: Hines Colorado Limited  
General Partner of  
1700 Lincoln Limited

By: \_\_\_\_\_  
Vice President of  
Hines Colorado Limited

EXHIBIT "C" TO SUBLEASE DATED MARCH 16, 1993

Note: For copy of Exhibit "C", see Lease Agreement at Item 5 of this Index.

D-10

Description of Generator

D-11

FORM OF  
CLIENT SERVICES AGREEMENT

This Client Services Agreement ("CSA"), dated \_\_\_\_\_, 1996, is by and between TELETECH \_\_\_\_\_ INC., a \_\_\_\_\_ corporation, with offices at \_\_\_\_\_ ("TeleTech"), and \_\_\_\_\_, a \_\_\_\_\_ corporation, with offices at \_\_\_\_\_ ("Client").

1. DEFINITIONS

- 1.1 "Service(s)" shall mean any and all services and deliverables, as defined in the attached Task Order, including but not limited to customer service, ordering and program development, to be provided by TeleTech, or any subcontractor hired by TeleTech, to Client.
- 1.2 "Task Order" shall mean the statement attached hereto that contains a complete description of Services to be provided by TeleTech and may include deliverables, milestones, hardware, software and telecom requirements, payment schedules, etc.
- 1.3 "Term" shall mean the length of time TeleTech is to provide Client with Services as set forth in the Task Order.
2. PAYMENTS
- 2.1 Set-up fees and/or milestone payments will be billed in accordance with the Task Order. TeleTech will bill client for on-going Services every week. Invoices will include Task Order number(s), number of individuals and hours billed. Invoices will be due and payable 7 days after receipt via wire transfer to First Interstate Bank, Account # \_\_\_\_\_, TeleTech Telecommunications, Inc., ABA # \_\_\_\_\_.
- 2.2 Client will be responsible for any and all taxes associated with Services and billing for Services, except for any taxes based solely on TeleTech's net income.
- 2.3 Client shall reimburse TeleTech for all reasonable Client-requested travel expenses related to the set-up and/or performance of Services, including but not limited to meals, lodging, transportation, car rental and incidental expenses for which TeleTech provides Client with copies of receipts or other documentation.
- 2.4 Time is of the essence with respect to all amounts payable hereunder. Any amount not paid when due will bear interest at the rate of 1.5% per month but will not exceed the maximum rate allowed by law. In addition, any amount not paid within 15 days of the due date will be subject to a late fee equal to 5% of the amount owing, which the parties agree is a reasonable sum that takes into consideration all of the circumstances existing on the date thereof, including the difficulty in fixing TeleTech's actual damages resulting from Client's failure to make timely payments, and is a fair and reasonable estimate of the costs and expenses that will be incurred by TeleTech due to Client's failure to make timely payments.
- 2.5 The prices contained in the Task Order shall automatically increase at the end of each 12 month period by the same percentage as the most recently published Department of Labor Consumer Price Index.

3. PERSONNEL

- 3.1 Client may require the removal of any individual performing Services if Client reasonably believes that individual is not qualified to perform Services or does not meet applicable professional standards, as set out in the Task Order. In such event, any replacement personnel will have qualifications and experience equal to or better than the individual replaced. Client will pay any additional training costs associated with replacement, unless otherwise agreed in the Task Order. TeleTech will not be liable for any delays in performance due to such replacement.

- 3.2 TeleTech is an independent contractor and has the sole right and obligation to manage or direct its employees, and the sole responsibility for all remuneration of its employees, including any withholding or taxes on such remuneration.
- 3.3 Unless otherwise mutually agreed upon, Client shall not solicit or hire, in any capacity, any then-current TeleTech employee during the term of this CSA, or for the 24 months immediately following its termination or expiration. If this section is breached, Client shall pay 4 times the hired employee's annual gross salary and benefits to TeleTech.
4. ACCESS TO FACILITIES
- 4.1 Should Client reasonably require access to TeleTech's facilities, Client will follow all TeleTech policies and procedures regarding the workplace, copies of which will be provided upon request. TeleTech shall have the right to immediately remove from its premises and/or require the permanent replacement on TeleTech premises of any Client personnel in violation of its policies or procedures or whom TeleTech reasonably believes to be in violation of its policies or procedures.
- 4.2 All Client personnel will prominently display a TeleTech-issued badge identifying Client's company at all times while in TeleTech facilities.
- 4.3 Client shall be liable for any and all personal injury and/or property damage resulting from the acts or omissions of Client's personnel while in TeleTech facilities.
- 4.4 TeleTech and Client agree that neither TeleTech, nor TeleTech's other clients intend to disclose to Client, nor does Client intend to receive, confidential information as a result of Client's presence in TeleTech facilities. If, in the course and scope of its duties while in TeleTech facilities, Client inadvertently receives confidential information not its own, it will protect such information from any further disclosure and will not use such information in any way.
5. WARRANTIES AND DISCLAIMER OF WARRANTIES
- 5.1 TeleTech warrants that Services will be performed in a good and workperson-like manner.
- 5.2 EXCEPT AS STATED HEREIN, TELETECH SPECIFICALLY DISCLAIMS ANY AND ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.
- 5.3 Client warrants that all information supplied by Client shall be accurate and complete, to Client's best knowledge and belief.
6. LIMITATIONS OF LIABILITY
- 6.1 TeleTech's entire liability to Client, regardless of the form of action, and whether in tort or contract, shall not exceed the amount(s) paid by Client to TeleTech hereunder.
- 6.2 Client's sole remedy for any recording error TeleTech makes when receiving information from Client or Client's current or prospective customers shall be a credit equal to the price paid by Client per call times the number of calls for which errors were recorded. To obtain such credit, Client must inform TeleTech of such error(s) in writing no more than 30 days after receipt by Client of the TeleTech invoice containing the call(s) in question.
- 6.3 Client agrees that TeleTech will not be liable for delays, cost increases or other consequences resulting from Client's acts or omissions, including without limitation, Client providing incomplete and/or inaccurate information. Any deadline affected by Client's acts or omissions shall be extended automatically by the amount of any delay caused thereby plus an additional period of time, as reasonably necessary in TeleTech's sole discretion, to compensate therefor. In addition, Client agrees to reimburse TeleTech for any costs or expenses incurred in the performance of any Task Order under this CSA

- as a result of Client's acts or omissions.
- 6.4 TELETECH SHALL NOT BE LIABLE FOR LOST PROFITS, NOR ANY SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, REGARDLESS OF WHETHER TELETECH HAS BEEN INFORMED OF THE LIKELIHOOD OF SUCH DAMAGES.
- 6.5 Client may not bring any action, regardless of form, more than one (1) year after the cause of action has accrued, unless such limitation is prohibited by law.
7. TERMINATION
- 7.1 Except as otherwise provided herein, if a party breaches a material provision of this CSA and does not cure the breach within 30 days after written notice by the nonbreaching party, the nonbreaching party may immediately terminate this Agreement.
- 7.2 In the event that Client defaults on payment of any amount due to TeleTech and does not cure such default within 15 days after being given written notice thereof, then TeleTech may immediately terminate this Agreement.
- 7.3 For purposes of section 7.1 above, the term "breach" shall include, without limitation: a) Any proceedings against either party, whether voluntary or involuntary, in bankruptcy or insolvency; b) Any appointment, with or without the consent of either party, of a receiver or an assignee for the benefit of creditors; or c) Any other failure to comply with any material provision of this CSA.
- 7.4 The rights and remedies granted to both parties under this Agreement, other than those outlined in section 6.2, above, are cumulative in nature and in addition to all other rights or remedies available at law or in equity.
8. LIQUIDATED DAMAGES
- 8.1 Client agrees that the termination without cause of any Task Order(s) hereunder, or of this CSA while any Task Order(s) hereunder is in effect, will cause TeleTech to incur certain costs and expenses including, but not limited to, administrative costs, collection costs, lost opportunities, and other direct and indirect costs in an uncertain amount, making it impracticable to fix the exact amount of such costs. Accordingly, the parties agree that Client will pay 55% of the maximum remaining payments to be made hereunder upon Client's termination without cause, in addition to the total lease payments for any dedicated facilities, purchases or other commitments made on behalf of Client and any unpaid software set-up fees, hardware set-up fees, or training set-up fees as defined herein or in a Task Order. This amount is deemed a reasonable estimate of TeleTech's damages and shall not be construed as a penalty.
9. FORCE MAJEURE
- 9.1 TeleTech shall be excused from performance as result of causes beyond its reasonable control and/or that of its subcontractors. Such causes shall include without limitation acts of God, strikes, lockouts, riots, acts of war, epidemics, governmental regulations superimposed after the fact, fire, communication line failures, failures of third party vendors, power failures, earthquakes, floods or other natural disasters. In the event of delays for sixty (60) days or more, either party may terminate this Agreement by giving written notice thereof to the other party.
10. OWNERSHIP OF MATERIALS
- 10.1 All intellectual and physical materials developed by TeleTech with or without the assistance of Client (including but not limited to all writings, software, software modifications, enhancements, customizations, developments, specifications and documentation) will be the exclusive property of TeleTech. Client

hereby assigns to TeleTech all right, title and interest in such materials (including but not limited to all copyrights, patents, trademarks, servicemarks and other protectable property) and agrees to execute all documents necessary to evidence the same.

- 10.2 TeleTech grants Client a non-exclusive, royalty-bearing, non-transferable license to use any software developed in accordance with section 10.1, above. Such license is restricted to the term of the provision of Services and solely for the provision of Service. No right to grant sublicenses is provided.

#### 11. CONFIDENTIAL INFORMATION

- 11.1 All Client confidential or proprietary information disclosed to TeleTech shall be clearly marked as such, or if disclosed orally, shall be designated as confidential or proprietary in writing within 10 days of disclosure.
- 11.2 TeleTech shall keep such information protected for a period of 2 years, exercising the same degree of care it uses to protect its own information of like nature, but in any event, no less than a reasonable degree of care.
- 11.3 TeleTech shall have no obligation to protect information that:
- a) Is or becomes publicly available through no fault of TeleTech;
  - b) Is independently developed by TeleTech without violating this CSA;
  - c) Is already rightfully in TeleTech's possession;
  - d) Is rightfully received by TeleTech from a third party without a duty of confidentiality;
  - e) Is disclosed by Client to a third party without a duty of confidentiality; or
  - f) Is disclosed under operation of law.

#### 12. ARBITRATION

- 12.1 The parties agree to submit to final and binding arbitration, to be conducted in accordance with the Judicate Rules of Procedure of the Judicate National Private Court System, in Denver, Colorado, by a retired judge mutually agreed upon by the parties, or, if the parties cannot agree within 10 days, then selected by Denver District Court's Presiding Judge. Each party shall bear half the costs of the arbitrator, unless otherwise allocated by the arbitrator.
- 12.2 No discovery will be allowed, other than the production of documents, the responses to which must be received within 10 days of any written request and no later than 10 days prior to the arbitration hearing. All pretrial proceedings may be conducted by telephone conference.
- 12.3 The arbitrator is authorized to grant any and all legal and equitable remedies, including a default judgment, but shall not have the authority to alter or amend these arbitration provisions. The arbitrator will issue a written decision resolving the matter, including findings of fact and conclusions of law, within 30 days after giving the parties opportunity to present evidence under Colo. Rev. Stats. Any decision rendered may be entered in any court having jurisdiction.

#### 13. MISCELLANEOUS PROVISIONS

- 13.1 The parties hereby agree that this CSA has been jointly negotiated and drafted by the parties and that it shall not be construed either for or against either party based upon who drafted any part of it.
- 13.2 THIS CSA SHALL BE GOVERNED BY THE LAWS OF THE STATE OF COLORADO, OTHER THAN ITS CHOICE OF LAW RULES.
- 13.3 Any waiver by either party of a term of provision of this CSA shall not be construed as a waiver of any subsequent breach.
- 13.4 Neither party shall have the right to assign this CSA, in whole or in part, without the prior written consent of the other, such consent not to be unreasonably withheld.



- 13.5 Any and all obligations under this CSA which, by their very nature, would survive the termination or expiration if this CSA, shall so survive.
- 13.6 Should any provision of this CSA be held unlawful, this CSA shall be interpreted so as to exclude such unlawful provision.
- 13.7 All notices shall be by registered mail, return receipt requested, or hand-delivered or via overnight delivery with signed receipt, and shall be directed to the addresses set forth in this CSA.
- 13.8 Neither party publicly shall use the other's name or refer to the other in any way, including without limitation, in advertising, without the other party's prior written consent, such consent not to be unreasonably withheld.
- 13.9 The prevailing party in any dispute arising under this CSA shall be entitled to all reasonable costs, including attorneys' fees.
- 13.10 Any amendment or modification to this CSA, or any attachments or Exhibits hereto, shall be effective only if reduced to writing and signed by both parties.
- 13.11 This CSA and any Exhibits attached hereto shall constitute the entire agreement between the parties and supersedes all prior agreements, discussions, proposals, representations or warranties, whether written or oral on this subject matter.

TELETECH

By:\_\_\_\_\_  
(duly authorized)  
Title:\_\_\_\_\_  
Date:\_\_\_\_\_

By:\_\_\_\_\_  
(duly authorized)  
Title:\_\_\_\_\_  
Date:\_\_\_\_\_

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THIS MASTER EQUIPMENT LEASE AGREEMENT (this "Lease") dated as of August 16, 1995, between NationsBanc Leasing Corporation ("Lessor"), a corporation organized under the laws of North Carolina, having its chief executive office at 2300 Northlake Centre Drive, Suite 300, Tucker GA 30084, and Teletech Holdings, Inc. ("Lessee"), a Delaware corporation of 1700 Lincoln Street, Suite 1400, Denver, CO 80203 hereby agree as follows.

1. LEASE AGREEMENT. Subject to the terms and conditions hereinafter set forth, Lessor shall lease to Lessee, and Lessee shall hire from Lessor, the units of personal property (collectively with all attached parts, replacements, additions, accessions and accessories attached thereto, the "Equipment") described in one or more equipment schedules (each a "Schedule") which incorporate by reference this Master Equipment Lease Agreement. Each Schedule shall constitute a separate and independent lease and contractual obligation of Lessee. Until a Schedule is duly signed and delivered by Lessor, a Schedule signed and delivered by Lessee constitutes an irrevocable offer by Lessee to lease the Equipment described in such Schedule from Lessor.

2. TERM OF LEASE; RENTALS AND DEPOSIT. The lease term with respect to any Equipment covered by a Schedule shall consist of an "Interim Term" and a "Base Term" as provided in the Schedule covering such Equipment. Lessee shall pay rent for the Interim Term ("Interim Rent") as provided and in amounts determined by Lessor as set forth in the applicable Schedule, and shall pay rent for the Base Term ("Base Rent") in such amounts and at such times as shall be specified in the applicable Schedule. At the time Lessee signs and delivers a Schedule, Lessee shall deposit with Lessor such additional sum ("Security Deposit"), if any, specified in the Schedule as security for the payment and performance of any obligation of Lessee hereunder.

3. LOCATION AND USE OF EQUIPMENT. Each item of Equipment shall at all times be and remain in the possession and control of Lessee at the address stated in the Schedule covering such item. Lessee will use, operate, protect, and maintain the Equipment in compliance with all applicable insurance policies, laws, ordinances, rules, regulations, and manufacturer's instructions. The Equipment shall be used solely for commercial or business purposes, and not for any consumer, personal home, or family purpose. Lessee shall not, through modifications, alterations or any other method, impair the originally intended function of any Equipment without the prior written consent of Lessor. Any replacement or substitution of parts, improvements or additions to the Equipment made by Lessee shall become and remain the property of Lessor. If requested by Lessor, Lessee shall cause each item of Equipment to be and remain plainly and conspicuously marked by insignia, stenciling, plaques, tags, decals or other forms of notice to disclose Lessor's ownership of the Equipment. Lessee shall keep the Equipment free and clear of any liens, encumbrances, claims and charges (except for those created expressly by Lessor) and shall not in any way encumber its rights hereunder or under any Schedule.

4. TAXES. Lessee shall reimburse Lessor on demand for all taxes assessments and other governmental charges paid by Lessor in connection with the Equipment or its use, ownership or operation while in Lessee's possession or the payment or receipt of rent or other charges under any Schedule, including but not limited to foreign, federal, state, county and municipal fees and taxes, ad valorem, sales, use excise, stamp and documentary taxes (other than federal and state taxes based on Lessor's net income), and all related penalties, fines and interest charges (unless any such penalties, fines, and interest charges are directly and primarily caused by Lessor's negligence). Upon Lessor's request, Lessee will immediately furnish to Lessor such information as Lessor shall require in connection with the preparation and filing of all returns relating to such taxes, assessments, or charges.

5. NET LEASE, LOSS AND DAMAGE.

(a) Each Schedule is a net lease. All costs, expenses and other liabilities associated with the Equipment shall be borne by Lessee. Lessee's obligations under any and all Schedules are absolute and unconditional, and are not to be subject to any abatement, deferment, reduction, setoff, defense, counter claim or recoupment for any reason whatsoever.

Except as otherwise expressly provided herein, no Schedule shall terminate nor shall the obligations of Lessee be affected, by reason of any defect or damage to, or any destruction, loss, theft, forfeiture, governmental requisition or obsolescence of the Equipment, regardless of cause.

(b) Lessee assumes all risk of damage to or loss, theft or destruction of the Equipment from any cause whatsoever from the date the Equipment is shipped by the vendor or manufacturer. In the event of loss or destruction of the Equipment from any cause whatsoever from the date the Equipment is shipped by the vendor or manufacturer but prior to its acceptance by Lessee, Lessee shall promptly pay to Lessor all sums heretofore paid by Lessor to such vendor or manufacturer and Lessor shall assign to Lessee all of its rights or causes of action, if any, against such vendor or manufacturer. In the event of damage of any kind whatsoever to any item of the Equipment on or after its acceptance by Lessee, Lessee shall, at Lessor's option, either place the same in good repair, condition or working order or if in the reasonable judgment of Lessor the Equipment is determined by Lessor to be lost, stolen, destroyed or damaged beyond repair, Lessee shall pay Lessor the Stipulated Loss Value therefor. Upon such payment, the Lease of such Equipment shall terminate and Lessee thereupon shall become entitled to such item of the Equipment "As Is and Where Is" without warranty, express or implied, with respect to any matter whatsoever. The Stipulated Loss Value of any Equipment shall be determined by Lessor in accordance with the provisions of the Schedule covering such Equipment. Proceeds of Insurance may be available for the repair or payment of the Stipulated Loss Value, in accordance with Section 6 hereof.

6. INSURANCE. Lessee shall, at its own expense, procure and maintain the following insurance coverages on the Equipment until the Equipment is returned to Lessor or Lessee's obligations with respect thereto under any applicable Schedule are otherwise terminated: (i) insurance against theft, fire, and such other risks as Lessor shall specify or (absent any written specification by Lessor) as are customarily insured against in Lessee's trade or industry, under policies naming Lessor as loss payee and (ii) comprehensive public liability and property damage insurance, under policies naming Lessor as additional insured. Each such insurance policy shall: (a) include provisions for the protection of Lessor notwithstanding any action or inaction, neglect, breach, violation, or default of or by Lessee of any warranty, condition or declaration, (b) provide for payment of insurance proceeds to Lessor to the extent of its liability or interest, (c) provide that such policy may not be modified, terminated or canceled unless Lessor is given at least thirty (30) days' advance written notice thereof (d) provide that the coverage is "primary coverage" for the protection of Lessee and Lessor notwithstanding any other coverage carried by Lessee or Lessor protecting against similar risks or liabilities and (e) be issued in such amounts (which in the case of casualty insurance will never be less than the Stipulated Loss Value of the Equipment covered thereby), with such deductibles, by such insurance company, and otherwise in such form as shall all be reasonably satisfactory to Lessor. Lessee shall furnish Lessor with certificates or other satisfactory evidence of such insurance, and shall furnish Lessor with a renewal certificate for each policy at least ten (10) days before the policy renewal date. Lessor shall have no duty to examine any certificate or other evidence of insurance, or to advise Lessee in the event that its insurance is not in compliance with this Section 6. The proceeds of any public liability or property damage insurance shall be payable first to Lessor to the extent of its liability, if any, and the balance to Lessee. The proceeds of fire, theft, or other casualty insurance shall be payable solely to Lessor and shall be used for the repair or replacement of the affected Equipment, unless an event of default shall have occurred and be continuing, in which event such proceeds may, at Lessor's sole option, be applied toward the payment of Lessee's obligations under the applicable Schedule. Lessee hereby appoints Lessor as Lessee's agent and attorney-in-fact with full power to do all things (including but not limited to making, adjusting, and settling claims, and receiving payments and endorsing documents, checks, or drafts) necessary or advisable to secure payment due under any insurance policy contemplated hereby.

7. GENERAL INDEMNITIES. LESSEE SHALL INDEMNIFY LESSOR AGAINST ALL CLAIMS, LIABILITIES, LOSSES AND EXPENSES WHATSOEVER, INCLUDING REASONABLE ATTORNEYS' FEES AND COSTS (EXCEPT THOSE DIRECTLY AND PRIMARILY CAUSED BY LESSOR'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT), IN ANY WAY RELATING TO OR ARISING OUT OF THE EQUIPMENT OR ANY PART THEREOF, OR THE ORDERING, ACQUISITION, REJECTION, INSTALLATION, POSSESSION, MAINTENANCE, USE, OWNERSHIP, CONDITION, DESTRUCTION, RETURN, OR DISPOSITION OF THE EQUIPMENT OR ANY PART THEREOF, INCLUDING

NEGLIGENCE AND STRICT LIABILITY IN TORT AND INCLUDING ANY INFRINGEMENT CLAIM. LESSEES OBLIGATIONS UNDER THIS PROVISION SHALL SURVIVE ANY PARTIAL OR TOTAL TERMINATION, EXPIRATION, OR CANCELLATION OF THIS LEASE.

8. TAX INDEMNITY.

(a) All references to "Lessor" in this Section 8 shall include each member of the affiliated group of corporations, as defined in Section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code"), of which Lessor is a member.

(b) Lessor and Lessee agree that Lessor shall be treated for federal, state and local income tax purposes as the owner of the Equipment and shall be entitled to take into account in computing its income tax liabilities, all items of income, deduction, credit, gain or loss relating to ownership of the Equipment as are provided under the Code and applicable state and local tax laws to owners of similar equipment (hereinafter collectively, the "Tax Benefits").

(c) If (i) Lessor shall lose, shall be delayed in claiming, shall not have a right to claim, shall be required to recapture (other than in connection with a sale of the Equipment following the end of the lease term, provided Lessee is not then in default), shall not be allowed or shall not claim as a result of a written opinion of independent tax counsel selected by Lessor to the effect that Lessor's claiming of such Tax Benefits probably would not be upheld by a court if the matter were litigated (that is, that the chances of a finding against Lessor are at least as great as the chances in favor of Lessor), all or any portion of any Tax Benefits, under any circumstances, at any times and for any reason; or (ii) the federal, state or local income tax rates in effect on the commencement date of the lease term for such Equipment (the "Tax Rates") are changed with respect to any period on or prior to the disposition of the Equipment by Lessor; or (iii) Lessor is required under Section 467 of the Code or otherwise to include in its gross income with respect to any Schedule or item of Equipment any amount at any time other than rentals and other amounts payable by Lessee hereunder at the times such amounts are payable as provided herein, then Lessor and Lessee agree that, upon Lessor's demand and at Lessor's option, either: (x) all further rental payments with respect to such Equipment, if any, shall be increased, or (y) Lessee shall pay to Lessor a lump sum amount, which shall in either case maintain the net economic after-tax yield, cash flow and rate of return Lessor originally anticipated based on the assumptions (including Tax Rates) that were originally utilized by Lessor in originally evaluating the transaction and setting the rental therefor and the other terms thereof. Lessee shall also pay to Lessor all interest, costs (including attorney's fees) and penalties associated with the loss of Tax Benefits or the change in Tax Rates, including costs of collecting amounts under this Section 8.

(d) For purposes of paragraph (c) above, Lessor shall at all times be deemed to have sufficient taxable income and tax liability to be able to utilize the Tax Benefits on a current basis and the fact that Lessor may lose Tax Benefits solely because it either (i) has insufficient taxable income or tax liability or (ii) is subject to the alternative minimum tax shall not be taken into account.

9. DELIVERY, ACCEPTANCE AND RETURN OF EQUIPMENT.

(a) Upon delivery to and acceptance by Lessee of any Equipment, Lessee shall execute and deliver the Schedule relating to such Equipment identifying same and acknowledging receipt thereof with all information required on the Schedule fully completed. Lessee's execution of such Schedule shall constitute acceptance of delivery of such Equipment and Lessee's acknowledgment that such Equipment is in good operating order, repair, condition and appearance, is of the manufacture, design and capacity selected by Lessee, and is suitable for the purposes for which such Equipment is leased.

(b) Subject to the provisions of any applicable Schedule, at the expiration of the lease term with respect to any Equipment, including any renewal thereof upon demand Lessee shall, at its own expense, return such Equipment to Lessor at a place reasonably designated by Lessor, in the same operating order, repair, condition and appearance as when received, reasonable wear and tear excepted. If upon such expiration or termination Lessee does not

immediately return an item of Equipment to Lessor, such item shall continue to be held subject to all the terms and conditions hereof and Base Rent and other charges shall continue to accrue and be payable hereunder with respect to such item until it is returned to Lessor. Payment or acceptance of any such rent or other charge shall not be deemed a waiver of any default and shall not suspend or otherwise affect any right or remedy hereunder including without limitation Lessee's obligation to return immediately (and Lessor's right to take immediate possession of) any such item.

10. MAINTENANCE. Lessee shall at its own expense, maintain and keep the Equipment in good working order, repair, appearance and condition and make all necessary adjustments and repairs thereto and replacements thereof, all of which shall become the property of Lessor.

11. RENEWAL AND PURCHASE. Except as set forth in the applicable Schedule, Lessee may not renew or extend the lease term with respect to any Equipment, nor shall Lessee have any option to purchase such Equipment.

12. ASSIGNMENT OF WARRANTIES AND LIMITATION OF RESPONSIBILITY. LESSOR HEREBY TRANSFERS AND ASSIGNS TO LESSEE, TO THE EXTENT ALLOWABLE BY LAW, FOR AND DURING THE LEASE TERM OF EACH SCHEDULE WITH RESPECT TO ANY EQUIPMENT COVERED BY SUCH SCHEDULE, THE WARRANTIES, IF ANY, OF THE MANUFACTURER ISSUED ON SUCH EQUIPMENT, AND HEREBY AUTHORIZES LESSEE TO OBTAIN AT ITS OWN EXPENSE THE CUSTOMARY SERVICE FURNISHED BY THE MANUFACTURER IN CONNECTION THEREWITH. LESSEE ACKNOWLEDGES THAT LESSOR IS NOT A MANUFACTURER, THE AGENT OF A MANUFACTURER OR ENGAGED IN THE SALE OR DISTRIBUTION OF THE EQUIPMENT AND HAS NOT MADE, AND DOES NOT HEREBY MAKE, ANY REPRESENTATION AS TO MERCHANTABILITY, PERFORMANCE, CONDITION, FITNESS OR SUITABILITY OF ANY OF THE EQUIPMENT FOR THE PURPOSES OF LESSEE OR MAKE ANY OTHER REPRESENTATION WITH RESPECT THERETO. LESSOR SHALL NOT BE LIABLE TO THE LESSEE FOR ANY LOSS, CLAIM, LIABILITY, COST, DAMAGE OR EXPENSE OF ANY KIND CAUSED, OR ALLEGED TO BE CAUSED, DIRECTLY OR INDIRECTLY, BY ANY EQUIPMENT, OR BY AN INADEQUACY THEREOF FOR ANY PURPOSE, OR BY ANY DEFECT THEREIN, OR THE USE OR MAINTENANCE THEREOF, OR ANY REPAIRS, SERVICING OR ADJUSTMENTS THEREOF, OR ANY DELAY IN PROVIDING OR FAILURE TO PROVIDE THE SAME, OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF OR ANY LOSS OF BUSINESS, PROFITS, CONSEQUENTIAL OR OTHER DAMAGE OF ANY NATURE. LESSEE AGREES THAT ITS OBLIGATIONS HEREUNDER SHALL NOT IN ANY WAY BE AFFECTED BY ANY DEFECT OR FAILURE OF PERFORMANCE OF EQUIPMENT.

13. PERSONAL PROPERTY. The Equipment shall remain personal property at all times, notwithstanding the manner in which it may be attached or affixed to realty, and title shall at all times continue in Lessor. Lessee warrants that at any time any of the Equipment is leased hereunder, or is removed to a new location that Lessee shall provide to Lessor written notice thereof within thirty (30) days of the date of such relocation and either (i) the premises in which such Equipment will be installed will be owned by Lessee free of any liens or encumbrances, or (ii) if not owned by Lessee free and clear of all liens or encumbrances, the owner of such premises and/or the holder of any such liens or encumbrances on such premises shall have consented and acknowledge that such Equipment is and shall remain personal property subject to all the provisions of this Lease. Lessee will obtain and record such instruments and take such steps as may be necessary to prevent any person from acquiring any right in any Equipment paramount to the rights of Lessor by reason of such Equipment being deemed to be real property. If any third party should attempt to establish any legal right in any Equipment, then Lessee shall, promptly after learning thereof, notify Lessor in writing and, within thirty (30) days after the date of such notice, either (i) cause such right to be waived or eliminated to the satisfaction of Lessor or (ii) otherwise stay such action or indemnify Lessor to Lessor's satisfaction.

14. DEFAULT AND REMEDIES.

(a) Each of the following shall constitute an event of default hereunder and under any and all Schedules then in effect (each, an "Event of Default"): (1) nonpayment when due of any installment of rent or other sum owing by Lessee hereunder, under any Schedule or under any other agreement between Lessor and Lessee if such nonpayment continues for ten (10) days; (2) Lessee's failure to perform and comply with any other provision or condition hereunder or under any Schedule if such failure continues for ten (10) days after written notice thereof by Lessor to Lessee; (3) Lessee's attempt to sell, lease or encumber any item of the Equipment without Lessor's prior written consent, or the attachment of any lien to any such item in favor of anyone other than Lessor, or any attempted levy, seizure or attachment on such item;

(4) any representation or warranty made by Lessee to Lessor hereunder or under any Schedule, certificate, agreement, instrument or other statement including income and financial statements, proves to have been incorrect in any material respect when made; (5) the reorganization or dissolution of Lessee or the suspension of Lessee's present business; (6) the merger, consolidation or transfer of a controlling stock interest in Lessee and such merger, consolidation or transfer materially adversely affects Lessor's ability to collect the obligations hereunder and under the Schedules; (7) Lessee's general assignment for the benefit of creditors or commencement of any voluntary case or proceeding for relief under the Bankruptcy Code, or any other present or future law for the relief of debtors, or the taking of any action to authorize or implement any of the foregoing; (8) the filing of any petition or application against Lessee under any present or future law for the relief of debtors, including proceedings under the Bankruptcy Code, or for the subjection of property of Debtor to the control of any court, receiver or agency for the benefit of creditors if such petition or application is consented to by Lessee or not dismissed within sixty (60) days from the date of filing; (9) a default exists under any other agreement or instrument of Lessee's with or in favor of Lessor or any direct or indirect affiliate of Lessor; (10) the attempted repudiation of any guaranties for obligations of Lessee to Lessor; (11) the Pension Benefit Guaranty Corporation's commencement of proceedings under Section 4042 of the Employee Retirement Income Security Act of 1974 to terminate any employee pension benefit plan of Lessee; (12) Lessee's failure to maintain any of the minimum financial covenants set forth in Section 17(b) of this Lease; or (13) the occurrence of any event described in clauses (7), (8), (9), or (11) of this Section 14 with respect to any guarantor or the person liable for payment or performance of Lessee's obligations under this Lease.

(b) Upon the occurrence of an Event of Default, Lessor may at its option: (1) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by Lessee of the applicable covenants hereunder and under any or all Schedules or to recover damages for the breach thereof or (2) cancel Lessee's right of possession of any or all of the Equipment, whereupon all rights of Lessee to use the Equipment shall absolutely cease and terminate, but Lessee shall remain liable as herein provided. Upon such cancellation, Lessee shall at its own expense, immediately redeliver such Equipment to Lessor at a place within the continental United States designated by Lessor. If Lessee shall fail to do so, Lessor may retake possession of same, free from any right of Lessee, its successors or assigns. If Lessor elects to cancel Lessee's right of possession of any Equipment, Lessor may recover from Lessee any and all amounts that, under the terms of the applicable Schedule, are then due or that have accrued to the date of such termination, and may also recover forthwith from Lessee, as damages for loss of its bargain and not as a penalty, an amount equal to the Stipulated Loss Value of such Equipment as of the rental payment date on or next preceding the date of default. However, if Lessor recovers possession of such Equipment, Lessee's obligations under the preceding sentence shall be reduced by (1) the net amount Lessor in fact receives from the sale of any such Equipment, or (2) at Lessor's election, the present value (determined on the basis of the "Discount Rate" as hereinafter defined) of the noncancelable regularly scheduled rentals receivable under a subsequent lease of any of the Equipment, taking into account only the rentals receivable from the commencement date of such subsequent lease until the end of the lease term for such Equipment under the applicable Schedule. For purposes of this Section 14, the Discount Rate shall be a rate of interest equal to four percent (4.0%) plus the "Prime Rate" of NationsBank of Georgia, NA, Atlanta, Georgia (or any successor thereto as announced on the day on which the commencement date of such subsequent lease occurs.

(c) In addition to any amount recoverable under paragraph (b) above, Lessor may recover from Lessee all Lessor's reasonable costs and expenses incurred by reason of Lessee's breach or default, including without limitation reasonable costs and expenses of repossession storing, holding, transporting, insuring, servicing, repairing, maintaining, renting, and selling any Equipment and collecting rents and other proceeds of its disposition, and fees and expenses of attorneys in the amount fifteen percent (15%) of all amounts due on or after the time of such breach or default (but not to exceed the amount of reasonable fees and expenses actually incurred), and other professionals employed by Lessor in connection with the protection and enforcement of its title and interest in any and all Equipment and its rights under any and all Schedules. From and after the occurrence of an event of default, any installment of rent or other sum owing under any schedule that is not paid when due shall accrue interest from the date of such event of default or (if later) the date such amount

becomes due to the date it is paid, at a per annum rate equal to the lessor of (i) fifteen percent (15%), or (ii) the highest rate, if any, permitted by applicable law.

(d) Except as otherwise expressly provided herein, all rights and remedies of Lessor are concurrent and cumulative. The exercise or partial exercise of any remedy shall not restrict Lessor from further exercise of that remedy or any other remedy provided for herein or otherwise available under applicable law. To the extent permitted by applicable law, Lessee waives any rights now or hereafter conferred by statute or otherwise that may require Lessor to sell release or otherwise use or dispose of any of Equipment in mitigation of Lessor's damages or that may otherwise limit or modify any of Lessor's rights or remedies.

15. ASSIGNMENT BY LESSOR. Lessor may assign or transfer, and Lessee hereby consents to the assignment or transfer, of all or any part of any Schedule or Lessor's interest in any Equipment without notice to Lessee. Lessee agrees that the liability of Lessee to any assignee of Lessor, or any subsequent assignee of such assignee, shall be absolute and unconditional and shall not be affected by any default hereunder of Lessor whatsoever or by any breach of any warranty, express or implied, in respect of any Equipment or Schedule. Lessee further agrees that no such assignee shall be required to assume any of the obligations of Lessor under any schedule except (i) the obligation in respect of the application of any insurance monies received by such assignee, as hereinabove provided, (ii) that the assignee shall be responsible for its own misconduct after the assignment, and (iii) that any successor lessor shall be responsible for the lessor's duties hereunder accruing after any such assignment. Lessee acknowledges that no such assignment shall materially change Lessee's duties hereunder or materially increase any burden or risk imposed on Lessee hereunder.

16. PROHIBITION OF ASSIGNMENT BY LESSEE. LESSEE SHALL NOT ASSIGN OR IN ANY WAY DISPOSE OF ALL OR ANY PART OF ITS RIGHTS OR OBLIGATIONS UNDER ANY SCHEDULE OR ENTER INTO ANY SUBLEASE OF ALL OR ANY PART OF ANY EQUIPMENT WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR, WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD.

17. FINANCIAL AND OTHER DATA

(a) During the term of this Lease, Lessee (i) shall furnish Lessor annual balance sheets and profit and loss statements of Lessee and of any guarantor of Lessee's obligations under any Schedule, and (ii) at Lessor's written request, shall furnish Lessor all other financial information and reports reasonably requested by Lessor at any time, including quarterly or other interim balance sheets and profit and loss statements of Lessee and of any such guarantor. Lessee shall furnish such other information as Lessor may reasonably request at any time concerning Lessee and its affairs, including without limitation information concerning the Equipment covered by a Schedule.

(b) During the term of this Lease, Lessee shall maintain the following minimum financial covenants as computed pursuant to generally acceptable accounting principles:

(i) for each fiscal year end period, the ratio of Lessor's total liabilities to total shareholder equity shall be less than 1.00:1;

(ii) Lessee shall maintain a minimum total shareholder equity of fourteen million dollars as of December 31, 1995, and Lessee's total shareholder equity shall increase by not less than one million dollars each fiscal quarter thereafter; and

(iii) Lessee shall post a positive net profit for each fiscal year end period.

(c) Lessee represents and warrants that all information furnished and to be furnished by Lessee to Lessor is accurate and that all financial statements Lessee has furnished and hereafter may furnish to Lessor, including operation statements and statements of condition, are and will be prepared in accordance with generally accepted accounting principles, consistently applied, and reasonably reflect and will reflect, as of their respective dates, results of the operations and the financial condition of Lessee and of any other entity they purport to cover.

18. MISCELLANEOUS.

(a) Each Schedule is and is intended to be a lease, and Lessee does not acquire hereby or under any Schedule any right, title or interest in or to the Equipment, except the right to use the same under the conditions hereof and under the additional conditions set forth in the applicable Schedule. Lessee waives any right to assert any lien or security interest on the Equipment in Lessee's possession or control for any reason.

(b) The relationship between Lessor and Lessee shall always and only be that of lessor and lessee. Lessee shall never at any time for any purpose whatsoever be or become the agent of Lessor and Lessor shall not be responsible for the acts or omissions of Lessee or its agents.

(c) At Lessor's request, Lessee shall execute, deliver, file, and record such financing statements and other documents as Lessor shall deem necessary or advisable to protect Lessor's interest in the Equipment and to effectuate the purposes of this Lease. Lessee hereby irrevocably appoints Lessor as Lessee's agent and attorney-in-fact for Lessee to execute, deliver, file, or record any such item, and to take such action for Lessee and in Lessee's name, place and stead.

(d) Lessor, its agents and employees shall have the right to enter any property where Equipment is located and inspect any Equipment at any reasonable time. Lessor's right to inspect the Equipment is solely for the benefit of Lessor and shall not impose any obligation of any kind whatsoever on Lessor.

(e) Lessee agrees to pay Lessor a late charge equal to three percent (3%) of the rental on all rentals not paid by Lessee to Lessor within ten (10) days of when due and owing under the provisions of this Lease.

(f) To secure the full and punctual payment and performance of its obligations under each Schedule, Lessee hereby grants to Lessor a security interest in all Lessee's right, title and interest, whether now existing or hereafter arising, in, under and to each other Schedule, lease, security agreement or other agreement between Lessor and Lessee, and each item of Equipment or other tangible personal property covered thereby.

(g) Lessor's rights and remedies with respect to any of the terms and conditions of each Schedule shall be cumulative and not exclusive and shall be in addition to all other rights and remedies in its favor. Lessor's failure to enforce strictly any of the provisions of any Schedule shall not be construed as a waiver thereof or as excusing Lessee from future performance.

(h) The invalidity of any portion of this Lease or any Schedule shall not affect the force and effect of the remaining valid portions thereof.

(i) All notices shall be binding upon the parties hereto if sent to the respective addresses set forth herein, or to such other address as either party may designate in a written notice to the other party. Except as otherwise expressly provided herein, all notices shall be deemed effective when deposited in the United States mail (if sent by registered, certified or first-class mail, postage prepaid) or when received (if sent by any other means).

(j) Except as expressly provided herein, no representation, warranty, promise, guaranty or agreement, oral or written, expressed or implied has been made by either party herein with respect to any Schedule or Equipment. This Lease and the Schedules governed hereby constitute the entire agreement between the parties herein with respect to the leasing of the Equipment. Any change or modification to this Lease or any Schedule governed hereby must be made in writing and signed by the parties hereto.

(k) To the extent permitted by applicable law, this is a "finance lease" under Section 2A-103(g) of the Uniform Commercial Code. Lessee waives any right (i) to cancel or repudiate this Lease or any Schedule governed hereby, (ii) to reject or revoke acceptance of any item of Equipment, and (iii) to recover from Lessor any general or consequential damages, for any reason whatsoever.



(l) THIS LEASE AND EACH SCHEDULE INCORPORATING ITS TERMS AND CONDITIONS SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE INTERNAL LAW OF THE STATE OF GEORGIA AS OF THE DATE HEREOF, WITHOUT GIVING EFFECT TO ANY PRINCIPLE OF CONFLICTS OF LAW OR CHOICE OF LAW THAT WOULD OTHERWISE MAKE THE LAW OF ANY OTHER JURISDICTION THE LAW GOVERNING THIS LEASE OR ANY SUCH SCHEDULE.

(m) LESSOR AND LESSEE EACH WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER AGAINST THE OTHER ON ANY MATTER HOWEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE OR ANY SCHEDULE.

(n) Lessee shall reimburse Lessor upon demand for all costs and expenses incurred by Lessor in connection with the execution and delivery of this Lease and the transactions contemplated hereunder including, without limitation, any lien search and filing fees.

(o) Should Lessee give Lessor written notice of a breach of Lessor's covenant to Lessee of quiet use and enjoyment of the Equipment and, within sixty (60) days after such notice (the "Expiration Date"), Lessor shall fail to cure such breach, Lessee may, effective as of the last day of the lease month following the Expiration Date, terminate the Term of the Lease for not less than all of the Equipment by paying Lessor, in immediately available funds, the Stipulated Loss Value of the Equipment plus applicable taxes and all other charges then due and owing under the Lease. Immediately upon Lessor's receipt of such payment in full, all of Lessor's and Lessee's future obligations under the Lease shall terminate (excepting only the obligations under Section 7 of this Lease) and, promptly thereafter, Lessor shall execute and deliver to Lessee a bill of sale conveying all of Lessor's right, title and interest in and to the Equipment to Lessee, "As-Is and Where-Is" with no warranty (explicit or implicit) as to any matter whatsoever, except that no security interest, lien or encumbrance against the Equipment then exists that has been created by or through Lessor.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease as of the date first above written.

NATIONSBANC LEASING CORPORATION (LESSOR)  
(Lessee)

Teletech Holdings, Inc.

By: /s/ James R. Bates  
-----  
Printed Name: James R. Bates  
-----  
Title: Assistant Vice President  
-----

By: /s/ Steven B. Coburn  
-----  
Printed Name: Steven B. Coburn  
-----  
Title: CFO  
-----

NATIONSBANK

NATIONSBANC LEASING CORPORATION

EQUIPMENT LEASE SCHEDULE  
FOR MASTER EQUIPMENT LEASE AGREEMENT

SCHEDULE NUMBER 1

This Schedule, dated as of December 21, 1995, between NATIONSBANC LEASING CORPORATION ("Lessor") and Teletech Holdings, Inc. ("Lessee") is executed pursuant to and is subject to the terms and conditions of Master Equipment Lease Agreement Number 08713-00300 dated as of December 21, 1995 (the "Lease"). Unless otherwise defined herein, capitalized terms used in this Schedule have the respective meanings assigned to such terms in the Lease. Should any terms and conditions of this Schedule conflict with any provision of the Lease, the terms and conditions herein shall supersede conflicting terms and conditions in the Lease.

Lessee hereby authorizes Lessor to insert herein the serial numbers and other identification data of the Equipment, when determined by Lessor, and dates or other omitted factual matters.

DESCRIPTION OF EQUIPMENT, the total cost of which to Lessor is \$870,849.33 ("Total Capitalized Cost"):

QUANTITY	DESCRIPTION	SERIAL NUMBER	COST
1	AT&T G3R Model 07C Phone Switch with Call Management System		\$870,849.33
	Total Capitalized Cost		\$870,849.33

TERM OF LEASE WITH RESPECT TO EQUIPMENT: The term of the Lease for the Equipment described herein is for an Interim Term commencing on the Acceptance Date set forth below, and continuing through and including the day preceding the Base Term Commencement Date; and for a Base Term of seventy-two (72) months commencing on the first (1st) day of the calendar month following the Acceptance Date (the "Base Term Commencement Date").

RENTAL: Base Rent shall be payable in seventy-two (72) consecutive monthly installments of \$14,246.29 each, or as set forth in the Schedule of Base Rent installments attached hereto, the first Base Rent installment being payable on the Base Term Commencement Date and the remaining Base Rent installments being payable on the first (1st) day of each succeeding month. Lessee shall not be obligated to pay Interim Rent.

STIPULATED LOSS VALUE: After the occurrence of any casualty loss or other event giving Lessor the right to require payment of the Equipment's Stipulated Loss Value, Lessor shall calculate such Stipulated Loss Value and give Lessee written notice thereof. Such "Stipulated Loss Value", as of any particular date, shall be the product obtained by multiplying the Total Capitalized Cost for the item of Equipment in question by the percentage, as set forth in the attached "Schedule of Stipulated Loss Values", specified opposite the rent installment number becoming due immediately after the date Lessor gives Lessee notice requiring payment of the Stipulated Loss Value (the "SLV Payment Date"). On the SLV Payment Date, Lessee shall pay Lessor the Stipulated Loss Value plus the rent installment then due together with any other unpaid amounts then due and owing under this Schedule. If only a portion of the Equipment is affected by any event causing calculation of Stipulated Loss Value, and the cost of such portion cannot be readily determined from the Total Capitalized Cost set forth above, then the Total Capitalized Cost for such portion shall be as reasonably calculated by Lessor, with written notice of such Total Capitalized Cost being sent to Lessee by Lessor.

ASSETS CLASS AND DEPRECIABLE LIFE: Lessee hereby warrants and represents that the above described Equipment qualifies under asset guideline class 48.121 and constitutes "5-year property" within the meaning of Internal Revenue Code Section 168.

LOCATION-OF EQUIPMENT: Equipment will be located at 2130 Hollywood Way, Burbank, Los Angeles, CA 91505.

INSURANCE REQUIREMENTS: In addition to the requirements set forth in the Lease, the following shall apply:

LIABILITY: Not less than \$500,000.00 combined single limit liability insurance, including bodily injury and death and property damage, covering activities of Lessor and Lessee and naming Lessor as additional insured.

PHYSICAL DAMAGE: Comprehensive insurance, including loss by burglary, theft, malicious mischief and fire, for an amount not less than the Stipulated Loss Value of the Equipment, and naming Lessor as loss payee.

END OF BASE TERM OPTIONS: In lieu of Lessee's obligation to return the Equipment to Lessor, Lessee may, provided Lessee is not in default under any of the provisions of the Lease or this Schedule, and upon its having provided to Lessor written notice not less than ninety (90) days prior to the expiration of the Base Term of its election (which shall be irrevocable) to:

(i) extend the Base Term for a period to be agreed upon by Lessee and Lessor for an amount equal to the Equipment's then fair market rental value as determined by Lessor. The fair market rental value shall be payable monthly by Lessee to Lessor on the first day of each month during the extension lease term;

(ii) purchase all of Lessor's right, title and interest in and to all, but not less than all, of the Equipment on an "As-Is", "Where-Is" basis, with no warranties (express or implied) as to any matter whatsoever, except that no security interest, lien or encumbrance against such Equipment then exists that has been created by Lessor, for a purchase price equal to the then Fair Market Value of the Equipment. Lessee shall pay Lessor the purchase price, plus any applicable taxes, on the expiration of the Base Term in immediately available funds;

(iii) arrange for the public or private sale of the Equipment, as of the last day of the lease term, on the open market in a commercially reasonable manner. Lessor shall have no obligation to solicit bids or buyers for any such sale. Lessee shall cause the proceeds of such sale to be transmitted directly and promptly to Lessor on the expiration of the Base Term in immediately available funds. If the proceeds of such sale, after deducting the expenses incurred in connection therewith, are more than \$11,129.45, Lessor shall pay such excess to Lessee. If the net proceeds are less than \$11,129.45, Lessee shall forthwith pay Lessor an amount equal to such deficiency. Upon the consummation of such an approved sale, Lessor will execute and transmit to buyer (or, if none, to Lessee) a bill of sale conveying all Lessor's right, title and interest "As-Is", "Where-Is" basis, with no warranties (express or implied) as to any matter whatsoever, except that no security interest, lien or encumbrance against such Equipment then exists that has been created by Lessor.

RETURN CONDITIONS: In addition to the maintenance and return conditions set forth in the Lease, the Equipment covered by this Schedule also shall be subject to the following conditions:

1. Throughout the term of the Lease, the Equipment shall be maintained by either the manufacturer or a factory authorized technician representing the manufacturer. Upon Lessor's request, and upon reasonable notice, Lessor shall have the right to (i) review and approve Lessee's maintenance procedures and (ii) review copies of all maintenance contracts and records, such copies to be provided by Lessee.

2. Prior to return, at Lessee's expense, the Equipment shall be deinstalled and packaged by manufacturer's technicians or factory authorized representatives of the manufacturer in accordance with manufacturer's recommendations for shipment. Lessee shall deliver with the returned Equipment (i) a certification as to the condition of the Equipment upon shipment and (ii) all instruction manuals, service manuals, service records and descriptive brochures (if any) relating thereto.

3. Upon Lessor's receipt thereof, the returned Equipment must be re-certified as eligible for the manufacturer's current maintenance program, at the manufacturer's then standard rates, the cost of such re-certification to be borne by Lessee.

4. If a sale of the Equipment is arranged at the expiration of the term of the Lease, Lessee shall be responsible for any applicable licensing or like fees relating to such sale.

EARLY TERMINATION: Should the Equipment become obsolete or no longer useful in Lessee's business, and provided that Lessee is not in default under any of the provisions of the Lease or this Schedule, Lessee may, upon giving Lessor not less than sixty (60) days' prior written notice (which shall be irrevocable), terminate the lease term for not less than all the Equipment on the last day of the 12 month of the Base Term. Upon return of the Equipment to Lessor, Lessor shall sell the Equipment by public or private sale, for immediately available funds, to a third party unrelated to Lessee. Lessee shall continue to pay Lessor monthly rentals for the Equipment until Lessor receives proceeds of sale. Lessee shall use diligent efforts to solicit bids and buyers for such a sale. Lessor shall have the right, but no obligation, to solicit bids or buyers for any such sale. The proceeds of sale shall be applied in the following order to: (i) pay the reasonable expenses of (a) holding and preparing the Equipment for sale, and (b) selling the Equipment, and; (ii) the remaining proceeds of sale (the "Net Proceeds") to Lessor. If the Net Proceeds are less than \$750,141.97, then Lessee shall promptly pay to Lessor, as additional rent, at the same time and in the same manner as the proceeds of sale are required to be paid to Lessor, an amount equal to such deficiency- provided however, the maximum amount Lessee shall pay Lessor for such deficiency shall be \$651,395.30, together with all other sums then due and owing by Lessee hereunder. Upon the consummation of such an approved sale, Lessor will execute and transmit to buyer (or, if none, to Lessee) a bill of sale conveying all Lessor's right, title and interest "As-Is", "Where-Is" basis with no warranties (express or implied) as to any matter whatsoever, except that no security interest, lien or encumbrance against such Equipment then exists that has been created by Lessor.

Early Purchase Option: Provided Lessee is not in default under any provisions of the Lease or this Schedule, Lessee may, upon giving Lessor not less than sixty (60) days' prior written notice (which shall be irrevocable), purchase all, but not less than all, of the Equipment from Lessor "as is, where is" with no warranty (explicit or implicit) as to any matter whatsoever, on the last day of any month of the Base Term identified below as a "Purchase Month" for a purchase price equal to the amount set forth below opposite such Purchase Month plus applicable taxes. Lessee shall remit such purchase price, together with all other amounts due and owing hereunder, in immediately available funds.

PURCHASE MONTH	PURCHASE PRICE
-----	-----
57th	\$219,541.09
60th	179,220.77
63rd	138,116.69

NO MATERIAL ADVERSE CHANGE: Lessee represents and warrants that there has been no material adverse change in its business or financial condition since December 20, 1995. Lessor shall not be obligated to execute this Schedule and lease the Equipment hereunder to Lessee if there shall have occurred any change in applicable law that would have a material adverse impact on the transaction contemplated hereby or there shall have occurred a material adverse change (in Lessor's sole judgment) in the financial or business condition of Lessee.

ACKNOWLEDGMENT OF RECEIPT OF EQUIPMENT: Lessee acknowledges that the Equipment described herein above has been delivered to and received by it, is conforming as represented, and is acceptable and satisfactory to it and that the same has been irrevocably accepted as Equipment leased by Lessee under this Schedule as of the date written below (the "Acceptance Date").

NATIONSBANC LEASING CORPORATION (LESSOR)

Teletech Holdings, Inc. (Lessee)

By:     /s/ James R. Bates  
-----  
Printed Name:         James R. Bates  
-----  
Title:     Assistant Vice President  
-----

By:     /s/ Steven B. Coburn  
-----  
Printed Name:     Steven B. Coburn  
-----  
Title:     Chief Financial Officer  
-----  
Acceptance Date:     1/12/96

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SCHEDULE NUMBER 1

This Schedule of Stipulated Loss Values is made a part of Equipment Schedule Number 1 dated December 21, 1995 to Master Equipment Lease Agreement Number 08713-00300 dated December 21, 1995, between NATIONSBANC LEASING CORPORATION ("LESSOR") and Telettech Holdings, Inc. ("Lessee").

Base Rent Installment Number	Stipulated Loss Value Percent	Base Rent Installment Number	Stipulated Loss Value Percent	Base Rent Installment Number	Stipulated Loss Value Percent
1	98.32027	25	70.19976	49	35.65580
2	97.25744	26	68.91200	50	34.16787
3	96.19461	27	67.61516	51	32.67003
4	95.12364	28	66.30921	52	31.17005
6	94.03753	29	64.99868	53	29.66010
6	92.94319	30	63.67898	54	28.14796
7	91.83362	31	62.35464	55	26.62581
8	90.71572	32	61.02107	56	25.09360
9	89.58945	33	59.67823	57	23.55911
10	88.44781	34	58.33065	58	22.01451
11	87.29772	35	56.97375	59	20.45975
12	86.13912	36	55.60749	60	20.00000
13	84.96501	37	54.23639	61	20.00000
14	83.78231	38	52.85586	62	20.00000
15	82.59097	39	51.46588	63	20.00000
16	81.39096	40	50.06638	64	20.00000
17	70.18249	41	48.66192	65	20.00000
18	78.96527	42	47.24789	66	20.00000
19	77.73951	43	45.82882	67	20.00000
20	76.50494	44	44.40013	68	20.00000
21	75.26151	45	42.96178	69	20.00000
22	74.00944	46	41.51829	70	20.00000
23	72.74844	47	38.60208	71	20.00000
24	71.47848	48	37.13386	72	20.00000

IN WITNESS WHEREOF, the Lessor and Lessee have caused this Schedule of Stipulated Loss Values to be executed this twenty-first (21st) day of December, 1995.

NATIONSBANC LEASING CORPORATION (LESSOR)

Telettech Holdings, Inc. (Debtor)

By: /s/ James R. Bates

By: /s/ Steven B. Coburn

Printed Name: James R. Bates

Printed Name: Steven B. Coburn

Title: Assistant Vice President

Title: Chief Financial Officer

NATIONSBANK

NATIONSBANC LEASING CORPORATION

EQUIPMENT LEASE SCHEDULE  
FOR MASTER EQUIPMENT LEASE AGREEMENT

SCHEDULE NUMBER 2

This Schedule, dated as of March 7, 1996, between NationsBanc Leasing Corporation, as Lessor, and Teletech Holdings, Inc., as Lessee, is executed pursuant to and is subject to the terms and conditions of Master Equipment Lease Agreement Number 08713-00300 dated as of December 21, 1995 (the "Lease"). Unless otherwise defined herein, capitalized terms used in this Schedule have the respective meanings assigned to such terms in the Lease. Should any terms and conditions of this Schedule conflict with any provision of the Lease, the terms and conditions herein shall supersede conflicting terms and conditions in the Lease.

Lessee hereby authorizes Lessor to insert herein the serial numbers and other identification data of the Equipment, when determined by Lessor, and dates or other omitted factual matters.

DESCRIPTION OF EQUIPMENT, the total cost of which to Lessor is \$119,990.00 ("Total Capitalized Cost"):

See Exhibit A - Description of Equipment attached hereto and made a part hereof.

TERM OF LEASE WITH RESPECT TO EQUIPMENT: The term of the Lease for the Equipment described herein is for an Interim Term commencing on the Acceptance Date set forth below, and continuing through and including the day preceding the Base Term Commencement Date; and for a Base Term of sixty (60) months commencing on the 1st day of the calendar month following the Acceptance Date (the "Base Term Commencement Date").

RENTAL: Base Rent shall be payable in sixty (60) consecutive monthly installments of \$2,045.83 each, or as set forth in the Schedule of Base Rent installments attached hereto, the first Base Rent installment being payable on the Base Term Commencement Date and the remaining Base Rent installments being payable on the 1st day of each succeeding month.

STIPULATED LOSS VALUE: After the occurrence of any casualty loss or other event giving Lessor the right to require payment of the Equipment's Stipulated Loss Value, Lessor shall calculate such Stipulated Loss Value and give Lessee written notice thereof Such "Stipulated Loss Value", as of any particular date, shall be the product obtained by multiplying the Total Capitalized Cost for the item of Equipment in question by the percentage, as set forth in the attached "Schedule of Stipulated Loss Values", specified opposite the rent installment number becoming due immediately after the date Lessor gives Lessee notice requiring payment of the Stipulated Loss Value (the "SLV Payment Date"). On the SLV Payment Date, Lessee shall pay Lessor the Stipulated Loss Value plus the rent installment then due, together with any other unpaid amounts then due and owing under this Schedule. If only a portion of the Equipment is affected by any event causing calculation of Stipulated Loss Value, and the cost of such portion cannot be readily determined from the Total Capitalized Cost set forth above, then the Total Capitalized Cost for such portion shall be as reasonably calculated by Lessor, with written notice of such Total Capitalized Cost being sent to Lessee by Lessor.

ASSETS CLASS AND DEPRECIABLE LIFE: Lessee hereby warrants and represents that the above described Equipment qualifies under asset guideline class 57 and constitutes "5-year property" within the meaning of Internal Revenue Code Section 168.

LOCATION OF EQUIPMENT: Equipment will be located at 400 East 84th Avenue #200, Thornton, Adams, CO 80229.

INSURANCE REQUIREMENTS: In addition to the requirements set forth in the Lease, the following shall apply:

LIABILITY: Not less than \$500,000.00 combined single limit liability insurance, including bodily injury and death and property damage, covering activities of Lessor and Lessee and naming Lessor as additional insured.

PHYSICAL DAMAGE: Comprehensive insurance, including loss by burglary, theft, malicious mischief and fire, for an amount not less than the Stipulated Loss Value of the Equipment, and naming Lessor as loss payee.

END OF BASE TERM OPTIONS: In lieu of Lessee's obligation to return the Equipment to Lessor, Lessee may, provided Lessee is not in default under any of the provisions of the Lease or this Schedule, and upon its having provided to Lessor written notice not less than ninety (90) days prior to the expiration of the Base Term of its election (which shall be irrevocable) to:

(i) purchase all of Lessor's right, title and interest in and to all, but not less than all, of the Equipment for a purchase price equal to the greater of (a) the then Fair Market Value of the Equipment, or (b) \$23,998.00.

(ii) elect to extend the Base Term for a period to be agreed upon by Lessee and Lessor for an amount equal to the Equipment's then fair market rental value as determined by Lessor. The fair market rental value shall be payable monthly by Lessee to Lessor on the first day of each month during the extension lease term.

Should Lessee elect to return the Equipment to Lessor, in accordance with the terms and conditions of the Lease, Lessee shall pay to Lessor a reconditioning charge equivalent to \$7,199.40 simultaneous with Lessee's return of such Equipment to Lessor.

EARLY PURCHASE OPTION: Provided Lessee is not in default under any provisions of the Lease or this Schedule, Lessee may, upon giving Lessor not less than sixty (60) days' prior written notice (which shall be irrevocable), purchase all, but not less than all, of the Equipment from Lessor "as is, where is" with no warranty (explicit or implicit) as to any matter whatsoever, on the last day of the 52nd month of the Base Term for a purchase price equal to the amount of \$41,672.53 plus applicable taxes. Lessee shall remit such purchase price, together with all other amounts due and owing hereunder, in immediately available funds.

OTHER CONDITIONS:

NO MATERIAL ADVERSE CHANGE: Lessee represents and warrants that there has been no material adverse change in its business or financial condition since December 20, 1995. Lessor shall not be obligated to execute this Schedule and lease the Equipment hereunder to Lessee if there shall have occurred any change in applicable law that would have a material adverse impact on the transaction contemplated hereby or there shall have occurred a material adverse change (in Lessor's sole judgment) in the financial or business condition of Lessee.

ACKNOWLEDGMENT OF RECEIPT OF EQUIPMENT: Lessee acknowledges that the Equipment described herein above has been delivered to and received by it, is conforming as represented, and is acceptable and satisfactory to it, and that the same has been irrevocably accepted as Equipment leased by Lessee under this Schedule as of the date written below (the "Acceptance Date").

NationsBanc Leasing Corporation

Teletech Holdings, Inc.

By: /s/ James R. Bates

By: /s/ Steven B. Coburn

Printed Name: James R. Bates

Printed Name: Steven B. Coburn

Title: Assistant Vice President

Title: Vice President/CFO

Acceptance Date: 3/12/96



EXHIBIT A TO EQUIPMENT LEASE SCHEDULE NUMBER 2

Lessee: Teletech Holdings, Inc.

Lessor: NationsBanc Leasing Corporation

Quantity	Description	Serial Number	Cost
1	Cummins Generator, 1000DFJD 69164, L950594824, Exide		\$119,990.00
		Total Cap Cost	\$119,990.00

NATIONSBANKS

NATIONSBANC LEASING CORPORATION

SCHEDULE OF STIPULATED LOSS VALUES  
FOR EQUIPMENT LEASE SCHEDULE

SCHEDULE NUMBER 2

This Schedule of Stipulated Loss Values is made a part of Equipment Schedule No. 2, dated March 7, 1996, to Master Equipment Lease Agreement Number 08713-00300, dated as of December 21, 1995, between NationsBanc Leasing Corporation (as "Lessor") and Teletech Holdings, Inc. (as "Lessee").

Base Rent Install Number	Stipulated Loss Value Percent	Base Rent Install Number	Stipulated Loss Value Percent
1	100.46682	35	59.18790
2	99.42322	36	57.79243S
3	98.37090	37	56.38667
4	97.30806	38	54.97594
5	96.23642	39	53.55487
6	95.15595	40	52.12875
7	94.06484	41	50.69222
8	92.96480	42	49.24523
9	91.85580	43	47.79309
10	90.73603	44	46.33041
11	89.60721	45	44.85716
12	88.46930	46	43.37863
13	87.32226	47	41.88946
14	86.15914	48	40.38960
15	84.98678	49	38.87900
16	83.79824	50	37.34997
17	82.60033	51	35.81014
18	81.39303	52	34.26478
19	80.16939	53	32.70855
20	78.93624	54	31.14138
21	77.69353	55	29.56857
22	76.43433	56	27.98476
23	75.16545	57	26.38990
24	73.88686	58	24.78928
25	72.59851	59	23.17752
26	71.30112	60	21.55459
27	69.99388		
28	68.67752		
29	67.35123		
30	66.01497		
31	64.66945		
32	63.31388		
33	61.94821		
34	60.57315		

In Witness Whereof, Lessee and Lessor have caused this Schedule of stipulated Loss Values to be executed by its authorized officers.

NationsBanc Leasing Corporation

Teletech Holdings, Inc.

By: /s/ James R. Bates

By: /s/ Steven B. Coburn

Printed Name: James R. Bates

Printed Name: Steven B. Coburn

Title: Assistant Vice President

Title: Vice President/CF0

NATIONSBANKS

NATIONSBANC LEASING CORPORATION

EQUIPMENT LEASE SCHEDULE  
FOR MASTER EQUIPMENT LEASE AGREEMENT

SCHEDULE NUMBER 3

This Schedule, dated as of April 24, 1996, between NATIONSBANC LEASING CORPORATION, as Lessor, and Teletech Holdings, Inc., as Lessee, is executed pursuant to and is subject to the terms and conditions of Master Equipment Lease Agreement Number 08713-00300 dated as of December 21, 1995 (the "Lease"). Unless otherwise defined herein, capitalized terms used in this Schedule have the respective meanings assigned to such terms in the Lease. Should any terms and conditions of this Schedule conflict with any provision of the Lease, the terms and conditions herein shall supersede conflicting terms and conditions in the Lease.

Lessee hereby authorizes Lessor to insert herein the serial numbers and other identification data of the Equipment, when determined by Lessor, and dates or other omitted factual matters.

DESCRIPTION OF EQUIPMENT, the total cost of which to Lessor is \$994,825.05 ("Total Capitalized Cost"):

QUANTITY	DESCRIPTION	COST
One (1)	AT&T G3R Model 07C Phone Switch with Call Management System and all present and future accessions and attachments thereto.	\$994,825.05

TERM. The term of the Lease for the Equipment described herein is for a Base Term of seventy-two (72) months commencing on May 1, 1996 (the "Base Term Commencement Date").

RENTAL. Base Rent shall be payable in seventy-two (72) consecutive monthly rental installments of \$ 17,001.56 each commencing on the Base Term Commencement Date, the first Base Rent installment being payable on the Base Term Commencement Date and the remaining Base Rent installments being payable on the first (1st) day of each succeeding month.

STIPULATED LOSS VALUE: After the occurrence of any casualty loss or other event giving Lessor the right to require payment of the Equipment's Stipulated Loss Value, Lessor shall calculate such Stipulated Loss Value and give Lessee-written notice thereof Such Stipulated Loss Value", as of any particular date, shall be the product obtained by multiplying the Total Capitalized Cost for the item of Equipment in question by the percentage, as set forth in the attached "Schedule of Stipulated Loss Values", specified opposite the rent installment number becoming due immediately after the date Lessor gives Lessee notice requiring payment of the Stipulated Loss Value (the "SLV Payment Date"). On the SLV Payment Date, Lessee shall pay Lessor the Stipulated Loss Value plus the rent installment then due, together with any other unpaid amount then due and owing under this Schedule. If only a portion of the Equipment is affected by [any event causing calculation of Stipulated Loss Value and the cost of such portion cannot be readily determined from the Total Capitalized Cost set forth above, then the Total Capitalized Cost for such portion shall be as reasonably calculated by Lessor, with written notice of such Total Capitalized Cost being sent to Lessee by Lessor.

ASSETS CLASS AND DEPRECIABLE LIFE: Lessee hereby warrants and represents that the above described Equipment qualifies under asset guideline class 57 and constitutes "5-year property" within the meaning of Internal Revenue Code Section 168.

LOCATION OF EQUIPMENT: Equipment will be located at 400 East 8th Avenue, #200, Thornton, CO 80229.

INSURANCE REQUIREMENTS: In addition to the requirements set forth in the Lease, the following shall apply:

LIABILITY: Not less than \$500,000.00 combined single limit liability insurance, including bodily injury and death and property damage covering activities of Lessor and Lessee and naming Lessor as additional insured.

PHYSICAL DAMAGE: Comprehensive insurance, including loss by burglary, theft, malicious mischief and fire, for an amount not less than the Stipulated Loss Value of the Equipment, and naming Lessor as loss payee.

END OF BASE TERM OPTIONS: In lieu of Lessee's obligation to return the Equipment to Lessor, Lessee may, provided Lessee is not in default under any of the provisions of the Lease or this Schedule, and upon its having provided to Lessor written notice not less than ninety (90) days prior to the expiration of the Base Term of its election (which shall be irrevocable) to:

(i) extend the Base Term for a period to be agreed upon by Lessee and Lessor for an amount equal to the Equipment's then fair market rental value as determined by Lessor. The fair market rental value shall be payable monthly by Lessee to Lessor on the first (1st) day of each month during the extension lease term: or,

(ii) purchase all of Lessor's right, title and interest in and to all, but not less than all, of the Equipment on an "As-Is", "Where-Is" basis, with no warranties (express or implied) as to any matter whatsoever, except that no security interest, lien or encumbrance against such Equipment then exists that has been created by Lessor, for a purchase price equal to the then Fair Market Value of the Equipment Lessee shall pay Lessor the purchase price, plus any applicable taxes, on the expiration of the Base Term in immediately available funds, or,

(iii) arrange for the public or private sale of the Equipment, as of the last day of the lease term, on the open market in a commercially reasonable manner. Lessor shall have no obligation to solicit bids or buyers for any such sale. Lessee shall cause the proceeds of such sale to be transmitted directly and promptly to Lessor on the expiration of the Base Term in immediately available funds. If the proceeds of such sale, after deducting the expenses incurred in connection therewith, are more than \$33,127.67, Lessor shall pay such excess to Lessee. If the net proceeds are less than \$33,127.67, Lessee shall forthwith pay Lessor an amount equal to such deficiency. Upon the consummation of such an approved sale, Lessor will execute and transmit to buyer (or, if none, to Lessee) a bill of sale conveying all Lessor's right, title and interest "As-Is", "Where-Is" basis, with no warranties (express or implied) as to any matter whatsoever, except that no security interest, lien or encumbrance against such Equipment then exists that has been created by Lessor.

RETURN CONDITIONS: In addition to the maintenance and return conditions set forth in the Lease, the Equipment covered by this Schedule also shall be subject to the following conditions:

1. Throughout the term of the Lease, the Equipment shall be maintained by either the manufacturer or a factory authorized technician representing the manufacturer. Upon Lessor's request, and upon reasonable notice, Lessor shall have the right to (i) review and approve Lessee's maintenance procedures and (ii) review copies of all maintenance contracts and records, such copies to be provided by Lessee.

Prior to return, at Lessee's expense, the Equipment shall be deinstalled and packaged by manufacturer's technicians or factory authorized representatives of the manufacturer in accordance with manufacturer's recommendations for shipment. Lessee shall deliver with the returned Equipment (i) a certification as to the condition of the Equipment upon shipment and (ii) all instruction manuals, service manuals, service records and descriptive brochures (if any) relating thereto.

3. Upon Lessor's receipt thereof, the returned Equipment must be re-certified as eligible for the manufacturer's current maintenance program, at the manufacturer's then standard rates, the cost of such re-certification to be borne by Lessee.

4. If a sale of the Equipment is arranged at the expiration of the term of the Lease, Lessee shall be responsible for any applicable licensing or like fees relating to such sale.

EARLY TERMINATION: Should the Equipment become obsolete or no longer useful in Lessee's business, and provided that Lessee is not in default under any of the provisions of the Lease or this Schedule, Lessee may, upon giving Lessor not less than sixty (60) days' prior written notice (which shall be irrevocable), terminate the lease term for not less than all the Equipment on the last day of the 12 month of the Base Term. Upon return of the Equipment to Lessor, Lessor shall sell the Equipment by public or private sale, for immediately available funds, to a third party unrelated to Lessee. Lessee shall continue to pay Lessor monthly rentals for the Equipment until Lessor receives proceeds of sale. Lessee shall use diligent efforts to solicit bids and buyers for such a sale. Lessor shall have the right, but no obligation, to solicit bids or buyers for any such sale. The proceeds of sale shall be applied in the following order to: (i) pay the reasonable expenses of (a) holding and preparing the Equipment for sale, and (b) selling the Equipment, and; (ii) the remaining proceeds of sale (the "Net Proceeds") to Lessor. If the Net Proceeds are less than \$889,075.14, then Lessee shall promptly pay to Lessor, as additional rent, at the same time and in the same manner as the proceeds of sale are required to be paid to Lessor, an amount equal to such deficiency- provided however, the maximum amount Lessee shall pay Lessor for such deficiency shall be \$740,647.24, together with all other sums then due and owing by Lessee hereunder. Upon the consummation of such an approved sale, Lessor will execute and transmit to buyer (or, if none, to Lessee) a bill of sale conveying all Lessor's right, title and interest "As-Is", "Where-Is" basis, with no warranties (express or implied) as to any matter whatsoever, except that no security interest, lien or encumbrance against such Equipment then exists that has been created by Lessor.

EARLY PURCHASE OPTION: Provided Lessee is not in default under any provisions of the Lease or this Schedule, Lessee may, upon giving Lessor not less than sixty (60) days' prior written notice (which shall be irrevocable), purchase all, but not less than all, of the Equipment from Lessor "as is, where is" with no warranty (explicit or implicit) as to any matter whatsoever, on the last day of any month of the Base Term identified below as a "Purchase Month" for a purchase price equal to the amount set forth below opposite such Purchase Month plus applicable taxes. Lessee shall remit such purchase price, together with all other amounts due and owing hereunder, in immediately available funds.

PURCHASE MONTH	PURCHASE PRICE
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57th	\$291,483.73
60th	\$245,721.78
63rd	\$198,766.04

NO MATERIAL ADVERSE CHANGE: Lessee represents and warrants that there has been no material adverse change in its business or financial condition since December 20, 1995. Lessor shall not be obligated to execute this Schedule and lease the Equipment hereunder to Lessee if there shall have occurred any change in applicable law that would have a material adverse impact on the transaction contemplated hereby or there shall have occurred a material adverse change (in Lessor's sole judgment) in the financial or business condition of Lessee.

ACKNOWLEDGMENT OF RECEIPT OF EQUIPMENT: Lessee acknowledges that the Equipment described herein above has been delivered to and received by it, is conforming as represented, and is acceptable and satisfactory to it and that the same has been irrevocably accepted as Equipment leased by Lessee under this Schedule as of the date written below (the "Acceptance Date").

NationsBanc Leasing Corporation

Teletech Holdings, Inc.

By:     /s/ James R. Bates  
-----  
Printed Name:   James R. Bates  
-----  
Title:    Assistant Vice President  
-----

By:     /s/ Steven B. Coburn  
-----  
Printed Name:   Steven B. Coburn  
-----  
Title:    CFO  
-----  
Acceptance Date:     5/2/96  
-----

NATIONSBANKS

NATIONSBANC LEASING CORPORATION

EQUIPMENT LEASE SCHEDULE  
FOR MASTER EQUIPMENT LEASE AGREEMENT

SCHEDULE NUMBER 3

This Schedule of Stipulated Loss Values is made a part of Equipment Schedule Number 3, dated April 24, 1996, to Master Equipment Lease Agreement Number 08713-00300 dated December 21, 1995, between NATIONSBANC LEASING CORPORATION ("LESSOR") and Telettech Holdings, Inc. ("Lessee").

Base Rent Installment Number	Stipulated Loss Value Percent	Base Rent Installment Number	Stipulated Loss Value Percent	Base Rent Installment Number	Stipulated Loss Value Percent
1	100.54004	25	74.10036	49	41.30242
2	99.57074	26	72.85051	50	39.81230
3	98.58894	27	71.59075	51	38.31622
4	97.59768	28	70.32014	52	36.80811
5	96.59691	29	69.03863	53	35.28793
6	95.58350	30	67.74705	54	33.76163
7	94.56047	31	66.44447	55	32.22316
8	93.52777	32	65.13083	56	30.67246
9	92.48227	33	63.80696	57	29.11548
10	91.42698	34	62.47192	58	27.54619
11	90.36188	35	61.12567	59	25.96451
12	89.28689	36	59.76814	60	24.37039
13	88.19429	37	58.40530	61	22.77364
14	87.09168	38	57.03111	62	21.15901
15	85.97131	39	55.65152	63	20.00000
16	84.84080	40	54.26050	64	20.00000
17	83.70008	41	52.85797	65	20.00000
18	82.54141	42	51.44992	66	20.00000
19	81.37241	43	50.03028	67	20.00000
20	80.19301	44	48.59900	68	20.00000
21	78.99548	45	47.16205	69	20.00000
22	77.78741	46	45.71337	70	20.00000
23	76.56876	47	44.25291	71	20.00000
24	75.33947	48	42.78060	72	20.00000

IN WITNESS WHEREOF, the Lessor and Lessee have caused this Schedule of Stipulated Loss Values to be executed this (2) day of May, 1996.

NATIONSBANC LEASING CORPORATION (LESSOR)

Telettech Holdings, Inc. (Lessee)

By: /s/ James R. Bates

By: /s/ Steven B. Coburn

Printed Name: James R. Bates  
Title: Assistant Vice President

Printed Name: Steve Coburn  
Title: CFO

NATIONSBANK

NATIONSBANC LEASING CORPORATION

EQUIPMENT LEASE SCHEDULE FOR  
MASTER EQUIPMENT LEASE AGREEMENT

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SCHEDULE NUMBER 4

This Schedule, dated as of April 24, 1996, between NATIONSBANC LEASING CORPORATION, as Lessor, and Teletech Holdings, Inc., as Lessee, is executed pursuant to and is subject to the terms and conditions of Master Equipment Lease Agreement Number 08713-00300 dated as of December 21, 1995 (the "Lease"). Unless otherwise defined herein, capitalized terms used in this Schedule have the respective meanings assigned to such terms in the Lease. Should any terms and conditions of this Schedule conflict with any provision of the Lease, the terms and conditions herein shall supersede conflicting terms and conditions in the Lease.

Lessee hereby authorizes Lessor to insert herein the serial numbers and other identification data of the Equipment, when determined by Lessor, and dates or other omitted factual matters.

DESCRIPTION OF EQUIPMENT, the total cost of which to Lessor is \$56,834.02 ("Total Capitalized Cost"):

DESCRIPTION	COST
Operating software for AT&T G3R Model 07C Phone	\$56,834.02
Switch with Call Management System	

TERM. The term of the Lease for the Equipment described herein is for a Base Term of sixty-eight (68) months commencing on May 1, 1996 (the "Base Term Commencement Date").

Rental. Base Rent shall be payable in sixty-eight (68) consecutive monthly rental installments of \$977.54 each commencing on the Base Term Commencement Date, the first Base Rent installment being payable on the Base Term Commencement Date and the remaining Base Rent installments being payable on the first (1st) day of each succeeding month.

Stipulated Loss Value: After the occurrence of any casualty loss or other event giving Lessor the right to require payment of the Equipment's Stipulated Loss Value, Lessor shall calculate such Stipulated Loss Value and give Lessee written notice thereof. Such "Stipulated Loss Value", as of any particular date, shall be the product obtained by multiplying the Total Capitalized Cost for the item of Equipment in question by the percentage, as set forth in the attached "Schedule of Stipulated Loss Values", specified opposite the rent installment number becoming due immediately after the date Lessor gives Lessee notice requiring payment of the Stipulated Loss Value (the "SLV Payment Date"). On the SLV Payment Date, Lessee shall pay Lessor the Stipulated Loss Value plus the rent installment then due, together with any other unpaid amounts then due and owing under this Schedule. If only a portion of the Equipment is affected by any event causing calculation of Stipulated Loss Value, and the cost of such portion cannot be readily determined from the Total Capitalized Cost set forth above, then the Total Capitalized Cost for such portion shall be as reasonably calculated by Lessor, with written notice of such Total Capitalized Cost being sent to Lessee by Lessor.

ASSETS CLASS AND DEPRECIABLE LIFE: Lessee hereby warrants and represents that the above described Equipment qualifies under asset guideline class 00.13 and constitutes "5-year property" within the meaning of Internal Revenue Code Section 168.

LOCATION OF EQUIPMENT: Equipment will be located at 2130 Hollywood Way, Burbank, CA 91505.

INSURANCE REQUIREMENTS: In addition to the requirements set forth in the Lease, the following shall apply:

LIABILITY: Not less than \$500,000.00 combined single limit liability insurance, including bodily injury and death and property damage, covering activities of Lessor and Lessee and naming Lessor as additional insured.



PHYSICAL DAMAGE: Comprehensive insurance, including loss by burglary, theft, malicious mischief and fire, for an amount not less than the Stipulated Loss Value of the Equipment, and naming Lessor as loss payee.

END OF BASE TERM OPTIONS: In lieu of Lessee's obligation to return the Equipment to Lessor, Lessee may, provided Lessee is not in default under any of the provisions of the Lease or this Schedule, and upon its having provided to Lessor written notice not less than ninety (90) days prior to the expiration of the Base Term of its election (which shall be irrevocable) to:

(i) extend the Base Term for a period to be agreed upon by Lessee and Lessor for an amount equal to the Equipment's then fair market rental value as determined by Lessor. The fair market rental value shall be payable monthly by Lessee to Lessor on the first (1st) day of each month during the extension lease term: or,

(ii) purchase all of Lessor's right, title and interest in and to all, but not less than all, of the Equipment on an "As-Is", "Where-Is" basis, with no warranties (express or implied) as to any matter whatsoever, except that no security interest, lien or encumbrance against such Equipment then exists that has been created by Lessor, for a purchase price equal to the then Fair Market Value of the Equipment. Lessee shall pay Lessor the purchase price, plus any applicable taxes, on the expiration of the Base Term in immediately available funds; or,

(iii) arrange for the public or private sale of the Equipment, as of the last day of the lease term, on the open market in a commercially reasonable manner. Lessor shall have no obligation to solicit bids or buyers for any such sale. Lessee shall cause the proceeds of such sale to be transmitted directly and promptly to Lessor on the expiration of the Base Term in immediately available funds. If the proceeds of such sale, after deducting the expenses incurred in connection therewith, are more than \$3,029.25, Lessor shall pay such excess to Lessee. If the net proceeds are less than \$3,029.25, Lessee shall forthwith pay Lessor an amount equal to such deficiency. Upon the consummation of such an approved sale, Lessor will execute and transmit to buyer (or, if none, to Lessee) a bill of sale conveying all Lessor's right, title and interest "As-Is", "Where-Is" basis, with no warranties (express or implied) as to any matter whatsoever, except that no security interest, lien or encumbrance against such Equipment then exists that has been created by Lessor.

RETURN CONDITIONS: In addition to the maintenance and return conditions set forth in the Lease, the Equipment covered by this Schedule also shall be subject to the following conditions:

1. Throughout the term of the Lease, the Equipment shall be maintained by either the manufacturer or a factory authorized technician representing the manufacturer. Upon Lessor's request, and upon reasonable notice, Lessor shall have the right to (i) review and approve Lessee's maintenance procedures and (ii) review copies of all maintenance contracts and records, such copies to be provided by Lessee.

2. Prior to return, at Lessee's expense, the Equipment shall be deinstalled and packaged by manufacturer's technicians or factory authorized representatives of the manufacturer in accordance with manufacturer's recommendations for shipment. Lessee shall deliver with the returned Equipment (i) a certification as to the condition of the Equipment upon shipment and (ii) all instruction manuals, service manuals, service records and descriptive brochures (if any) relating thereto.

3. Upon Lessor's receipt thereof, the returned Equipment must be re-certified as eligible for the manufacturer's current maintenance program, at the manufacturer's then standard rates, the cost of such re-certification to be borne by Lessee.

4. If a sale of the Equipment is arranged at the expiration of the term of the Lease, Lessee shall be responsible for any applicable licensing or like fees relating to such sale.

EARLY TERMINATION: Should the Equipment become obsolete or no longer useful in Lessee's business, and provided that Lessee is not in default under any of the provisions of the Lease

or this Schedule, Lessee may, upon giving Lessor not less than sixty (60) days' prior written notice (which shall be irrevocable), terminate the lease term for not less than all the Equipment on the last day of the 8th month of the Base Term. Upon return of the Equipment to Lessor, Lessor shall sell the Equipment by public or private sale, for immediately available funds, to a third party unrelated to Lessee. Lessee shall continue to pay Lessor monthly rentals for the Equipment until Lessor receives proceeds of sale. Lessee shall use diligent efforts to solicit bids and buyers for such a sale. Lessor shall have the right, but no obligation, to solicit bids or buyers for any such sale. The proceeds of sale shall be applied in the following order to: (i) pay the reasonable expenses of (a) holding and preparing the Equipment for sale, and (b) selling the Equipment, and; (ii) the remaining proceeds of sale (the "Net Proceeds") to Lessor. If the Net Proceeds are less than \$52,571.46, then Lessee shall promptly pay to Lessor, as additional rent, at the same time and in the same manner as the proceeds of sale are required to be paid to Lessor, an amount equal to such deficiency; provided however, the maximum amount Lessee shall pay Lessor for such deficiency shall be \$44,353.26, together with all other sums then due and owing by Lessee hereunder. Upon the consummation of such an approved sale, Lessor will execute and transmit to buyer (or, if none, to Lessee) a bill of sale conveying all Lessor's right, title and interest "As-Is", "Where-Is" basis, with no warranties (express or implied) as to any matter whatsoever, except that no security interest, lien or encumbrance against such Equipment then exists that has been created by Lessor.

**EARLY PURCHASE OPTION:** Provided Lessee is not in default under any provisions of the Lease or this Schedule, Lessee may, upon giving Lessor not less than sixty (60) days' prior written notice (which shall be irrevocable), purchase all, but not less than all, of the Equipment from Lessor "as is, where is" with no warranty (explicit or implicit) as to any matter whatsoever, on the last day of any month of the Base Term identified below as a "Purchase Month" for a purchase price equal to the amount set forth below opposite such Purchase Month plus applicable taxes. Lessee shall remit such purchase price, together with all other amounts due and owing hereunder, in immediately available funds.

PURCHASE MONTH	PURCHASE PRICE
53th	\$14,327.85
56th	\$11,696.44
59th	\$9,013.87

**NO MATERIAL ADVERSE CHANGE:** Lessee represents and warrants that there has been no material adverse change in its business or financial condition since December 20, 1995. Lessor shall not be obligated to execute this Schedule and lease the Equipment hereunder to Lessee if there shall have occurred any change in applicable law that would have a material adverse impact on the transaction contemplated hereby or there shall have occurred a material adverse change (in Lessor's sole judgment) in the financial or business condition of Lessee.

**ACKNOWLEDGMENT OF RECEIPT OF EQUIPMENT:** Lessee acknowledges that the Equipment described herein above has been delivered to and received by it, is conforming as represented, and is acceptable and satisfactory to it, and that the same has been irrevocably accepted as Equipment leased by Lessee under this Schedule as of the date written below (the "Acceptance Date").

NationsBanc Leasing Corporation (Lessor)

Teletech Holdings, Inc. (Lessee)

By: /s/ James R. Bates

By: /s/ Steven B. Coburn

Printed Name: James R. Bates

Printed Name: Steven B. Coburn

Title: Assistant Vice President

Title: CFO

Acceptance Date: 5/2/96

SCHEDULE NUMBER 4

This Schedule of Stipulated Loss Values is made a part of Equipment Schedule Number 4 dated April 26, 1996, to Master Equipment Lease Agreement Number 08713-00300 dated December 21, 1995, between NationsBanc Leasing Corporation ("Lessor") and Teletech Holdings, Inc. ("Lessee").

Base Rent Installment Number	Stipulated Loss Value Percent	Base Rent Installment Number	Stipulated Loss Value Percent	Base Rent Installment Number	Stipulated Loss Value Percent
1	100.25352	25	67.93636	49	29.06994
2	98.99215	26	66.37266	50	27.24694
3	97.71947	27	64.79916	51	25.40990
4	96.43540	28	63.21282	52	23.56674
5	95.13628	29	61.61357	53	21.70943
6	93.82565	30	60.00435	54	20.00000
7	92.50345	31	58.38211	55	20.00000
8	91.16601	32	56.74679	56	20.00000
9	89.81688	33	55.10132	57	20.00000
10	88.45600	34	53.44266	58	20.00000
11	87.08331	35	51.77075	59	20.00000
12	85.69336	36	50.08552	60	20.00000
13	84.29147	37	48.39492	61	20.00000
14	82.87218	38	46.69091	62	20.00000
15	81.44080	39	44.98144	63	20.00000
16	79.99726	40	43.25847	64	20.00000
17	78.53613	41	41.52193	65	20.00000
18	77.06270	42	39.77978	66	20.00000
19	75.57692	43	38.02396	67	20.00000
20	74.07334	44	36.25442	68	20.00000
21	72.55725	45	34.47910	69	20.00000
22	71.02860	46	32.68996	70	20.00000
23	69.48733	47	30.88693		

IN WITNESS WHEREOF, the Lessor and Lessee have caused this Schedule of Stipulated Loss Values to be executed this (2) day of May, 1996.

NationsBanc Leasing Corporation (Lessor)

Teletech Holdings, Inc. (Lessee)

By: /s/ James R. Bates

By: /s/ Steven B. Coburn

Printed Name: James R. Bates

Printed Name: Steven Coburn

Title: Assistant Vice President

Title: CFO

NATIONSBANK

NATIONSBANC LEASING CORPORATION

ADDENDUM 1 TO  
LEASE SCHEDULES

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RE: Equipment Lease Schedules Numbers 1 and 4 dated December 21, 1995, and April 26, 1996 respectively (individually "Schedule 1" or "Schedule 4" as applicable or a "Schedule", collectively the "Schedules") to that certain Master Equipment Lease Agreement Number 08713-00300 (collectively with the Schedules, the "Lease") dated December 21, 1995, between NATIONSBANC LEASING CORPORATION ("Lessor") and Teletech Holdings, Inc. ("Lessee").

THIS LEASE ADDENDUM, is entered into and delivered by Lessor and Lessee this twenty-sixth (26th) day of April, 1996.

Whereas, Lessor and Lessee entered into and delivered the Lease for the lease by Lessor to Lessee of the equipment described in the Schedules; and

Whereas, the Equipment leased under Schedule 4 has been permanently affixed to the Equipment leased under Schedule 1.

Now, therefore, in consideration of good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged, Lessor and Lessee agree as follows:

1. The occurrence of any casualty loss or other event giving Lessor the right to require immediate payment of the Stipulated Loss Value of the Equipment leased under Schedule 1 or Schedule 4 shall constitute an event giving Lessor the right to require immediate payment of the Stipulated Loss Value of the Equipment leased under both Schedules.
2. Lessee's election to exercise any such termination option with respect to Schedule 1 shall constitute an event giving Lessor the right to require immediate payment of the Stipulated Loss Value of the Equipment leased under Schedule 4.
3. The Stipulated Loss Value of the equipment leased under a Schedule shall be calculated as set forth in that respective Schedule.
4. Lessee's rights and obligations regarding any Renewal, Purchase Option, or return of the Equipment leased under the Schedules, shall be exercised and satisfied consistently and concurrently with respect to the Equipment leased under each Schedule.
5. If Lessee exercises any rights of Renewal or Purchase Options, Lessor may, in Lessor's sole discretion, determine any fair market rental values or Fair Market Values of the Equipment leased under the Schedules as a single item or as multiple items of Equipment.
6. By the reference hereinabove, the terms and conditions of the Lease are hereby incorporated in this Addendum. Any capitalized terms used, but not defined, herein shall have the same meanings ascribed them in the Lease.

IN WITNESS WHEREOF, the parties hereto have caused this Lease Addendum to be duly executed as of the day and year first above written.

NATIONSBANC LEASING CORPORATION (Lessor)    Teletech Holdings, Inc. (Lessee)

By:    /s/ James R. Bates

By:    /s/ Steven B. Coburn

Printed Name: James R. Bates

Printed Name: Steven B. Coburn

Title: Assistant Vice President

Title: CFO

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of all our reports (and to all references to our Firm) included in or made a part of this Registration Statement.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Denver, Colorado  
June 4, 1996.

CONSENT OF INDEPENDENT AUDITORS

As independent public accountants, we hereby consent to the incorporation of our report dated April 13, 1994, with respect to the combined statements of income and cash flows of TeleTech Telecommunications, Inc. and TeleTech Teleservices, Inc. for the eleven months ended December 31, 1993 in Amendment Number One to the Registration Statement on Form S-1 to be filed by TeleTech Holdings, Inc. with the Securities and Exchange Commission, and to all references to our firm included therein.

/s/ Gumbiner, Savett, Finkel, Fingleson & Rose, Inc.

GUMBINER, SAVETT, FINKEL, FINGLESON & ROSE, INC.  
(Formerly Gumbiner, Savett, Friedman & Rose, Inc.)

Santa Monica, California  
June 4, 1996