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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2012

OR

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

Commission file number: 001-35418

EPAM SYSTEMS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**223536104**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

EPAM Systems, Inc.
41 University Drive,
Suite 202
Newtown, Pennsylvania 18940
(Address of principal executive offices, including zip code)

267-759-9000
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

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

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

As of June 30, 2012 the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $313 million based on the closing sale price as reported on the New York Stock Exchange. Solely for purposes of the foregoing calculation, "affiliates" are deemed to consist of each officer and director of the registrant, and each person known to the registrant to own 10% or more of the outstanding voting power of the registrant.

The number of shares of common stock, $0.001par value, of the registrant outstanding as of March 1, 2013 was 44,903,909 shares.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file a definitive Proxy Statement for its 2013 annual meeting of stockholders pursuant to Regulation 14A within 120 days of the end of the fiscal year ended December 31, 2012. Portions of the registrant's Proxy Statement are incorporated by reference into Part III of this Form 10-K. With the exception of the portions of the Proxy Statement expressly incorporated by reference, such document shall not be deemed filed with this Form 10-K.

EPAM SYSTEMS, INC.
FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2012

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In this annual report, "EPAM," "EPAM Systems, Inc.," the "Company," "we," "us" and "our" refer to EPAM Systems, Inc. and its consolidated subsidiaries.

"EPAM" is a trademark of EPAM Systems, Inc. "CMMI" is a trademark of the Software Engineering Institute of Carnegie Mellon University. "ISO 9001:2000" and "ISO 27001:2005" are trademarks of the International Organization for Standardization. All other trademarks and servicemarks used herein are the property of their respective owners.

Unless otherwise indicated, information contained in this annual report concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity and market share, is based on information from various sources (including industry publications, surveys and forecasts and our internal research), on assumptions that we have made, which we believe are reasonable, based on those data and other similar sources and on our knowledge of the markets for our services. The projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under "Item 1A. Risk Factors" and elsewhere in this annual report. These and other factors could cause results to differ materially from those expressed in the estimates included in this annual report.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains estimates and forward-looking statements, principally in "Item 1. Business," "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Important factors, in addition to the factors described in this annual report, may adversely affect our results as indicated in forward-looking statements. You should read this annual report and the documents that we have filed as exhibits hereto completely and with the understanding that our actual future results may be materially different from what we expect.

The words "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "intend," "potential," "might," "would," "continue" or the negative of these terms or other comparable terminology and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date they were made, and, except to the extent required by law, we undertake no obligation to update, to revise or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. As a result of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this annual report might not occur and our future results, level of activity, performance or achievements may differ materially from those expressed in these forward-looking statements due to, including, but not limited to, the factors mentioned above, and the differences may be material and adverse. Because of these uncertainties, you should not place undue reliance on these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required under applicable law.

EMERGING GROWTH COMPANY STATUS

In April 2012, several weeks after our initial public offering in February 2012, President Obama signed into law the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). The JOBS Act contains provisions that relax certain requirements for "emerging growth companies" that otherwise apply to larger public companies. For as long as a company retains emerging growth company status, which may be until the fiscal year-end after the fifth anniversary of its initial public offering, it will not be required to (1) provide an auditor's attestation report on its management's assessment of the effectiveness of its internal control over financial reporting, otherwise required by Section 404(b) of the Sarbanes-Oxley Act of 2002, (2) comply with any new or revised financial accounting standard applicable to public companies until such standard is also applicable to private companies, (3) comply with certain new requirements adopted by the Public Company Accounting Oversight Board, (4) provide certain disclosure regarding executive compensation required of larger public companies or (5) hold shareholder advisory votes on matters relating to executive compensation.

We are classified as an emerging growth company, under the JOBS Act and are eligible to take advantage of the accommodations described above for as long as we retain this status. However, we have elected not to take advantage of the transition period described in (2) above, which is the exemption provided in Section 7(a)(2)(B) of the Securities Act of 1933 and Section 13(a) of the Securities Exchange Act of 1934 (in each case as amended by the JOBS Act) for complying with new or revised financial accounting standards. We will therefore comply with new or revised financial accounting standards to the same extent that a non-emerging growth company is required to comply with such standards.

PART I

Item 1. *Business*

Overview

We are a leading provider of complex software engineering solutions and technology services with delivery capacity distributed across Central and Eastern Europe. Our clients rely on us to deliver a broad range of software engineering and IT services, with a significant share of proactive, domain-led, high-value services aimed at improving the client's ability to innovate and cut time to market. We draw on our extensive vertical, technology and process/methodology expertise and leverage industry standard technology, tools, platforms as well a portfolio of internally and externally developed assets in our delivery. We primarily focus on building long-term partnerships with clients in industries that demand technologically advanced skills and solutions, such as independent software vendors, or ISVs and Technology, Banking and Finance, Business Information and Media, and Travel and Consumer. We deliver services to clients located primarily in North America, Western Europe, and Central and Eastern Europe, or CEE.

Since our inception in 1993, we have been serving ISVs and Technology companies. These companies produce advanced software and technology products that demand sophisticated software engineering talent, tools, methodologies and infrastructure to deliver solutions that support functionality and configurability to sustain multiple generations of platform innovation. The foundation we have built serving ISVs and technology companies has enabled us to differentiate ourselves in the market for software engineering skills and technology capabilities. Our work with these clients exposes us to their customers' challenges across a variety of industry verticals. This has enabled us to develop vertical-specific domain expertise and grow our business in multiple industry verticals, including Banking and Financial Services, Business Information and Media, and Travel and Consumer.

Our historical core competency is full lifecycle software development and product engineering services including design and prototyping, product development and testing, component design and integration, product deployment, performance tuning, porting and cross-platform migration. We have developed extensive experience in each of these areas by working collaboratively with leading ISVs and technology companies, creating an unparalleled foundation for the evolution of our other offerings, which include custom application development, application testing, enterprise application platforms, application maintenance and support, and infrastructure management.

We believe the quality of our employees underpins our success and serves as a key point of differentiation in how we deliver a superior value proposition to our clients. Our delivery centers in Belarus, Ukraine, Russia, Hungary, Kazakhstan and Poland are strategically located in centers of software engineering talent and educational excellence across CEE, and the Commonwealth of Independent States, or the CIS. CEE includes Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Republic of Macedonia, Romania, Russia, Serbia and Montenegro, Slovakia, Slovenia, the former Yugoslav Republic of Macedonia, Turkey and Ukraine. The CIS is comprised of constituents of the former U.S.S.R., including Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. Our highly-skilled information technology, or IT, professionals, combined with our extensive experience in delivering custom solutions that meet our clients' pressing business needs, has allowed us to develop a deep culture of software engineering excellence. We believe this culture enables us to attract, train and retain talented IT professionals.

We employ highly-educated IT professionals, nearly all of whom hold a master's equivalent university degree in math, science or engineering and are proficient in English. To ensure we attract the best candidates from this deep talent pool, we have developed close relationships with leading universities across CEE, whereby we actively support curriculum development and engage students to identify their talents and interests. We continue to expand these efforts throughout the major talent hubs within CEE.

Since inception, we have invested significant resources into developing a proprietary suite of internal applications and tools to manage all aspects of our delivery process. These applications and tools are effective in reducing risks, such as security breaches and cost overruns, while providing control and visibility across all project lifecycle stages to both us and our clients. In addition, these applications and tools enable us to provide solutions using the optimal software product development methodologies, including iterative methodologies such as Agile development. Our applications, tools, methodologies and infrastructure allow us to seamlessly deliver services and solutions from our delivery centers to global clients, thereby further strengthening our relationships with them.

We believe we are the only ISAE 3000 Type II certified IT services provider with multiple delivery centers in CEE, based on our analysis of publicly available information of IT services providers. This certification is a widely recognized auditing standard developed by the American Institute of Certified Public Accountants, or AICPA, and it serves as additional assurance to our clients that are required to validate the controls in place to protect the security of their sensitive data. Furthermore, this is an important certification for firms in data and information-intensive industries, as well as any organization that is subject to the internal controls certification requirements of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act. Our ISAE 3000 Type II certification, in addition to our multiple ISO/IEC 27001:2005 and ISO 9001:2000 attestations, underscores our focus on establishing stringent security standards and internal controls.

Our clients primarily consist of *Forbes Global 2000* corporations located in North America, Europe and the CIS. We maintain a geographically diverse client base with 47.7% of our 2012 revenues from clients located in North America, 35.8% from clients in Europe and 15.0% from clients in the CIS. Our focus on delivering quality to our clients is reflected by an average of 91.9% and 82.0% of our revenues in 2012 coming from clients that had used our services for at least one and two years, respectively. In addition, we have significantly grown the size of existing accounts. For example, from 2008 to 2012 the number of clients accounting for over $5.0 million in annual revenues increased from 7 to 16, and those accounting for $1.0 million or more in revenues increased from 42 to 81.

Our Approach

Since our inception, we have focused on software product development services, which we have refined through repeat, multi-year engagements with major ISVs. Unlike custom application development, which is usually tailored to very specific business requirements, software products of ISVs must be designed with a high level of product configurability and operational performance to address the needs of a diverse set of end-users working in multiple industries and operating in a variety of deployment environments. This demands a strong focus on upfront design and architecture, strict software engineering practices, and extensive testing procedures.

Our focus on software product development services for ISVs and technology companies requires high-quality software engineering talent, advanced knowledge of up-to-date methodologies and productivity tools, and strong project management practices. As a result, we have developed a culture focused on innovation, technology leadership and process excellence, which helps us maintain a strong reputation with our clients for technical expertise and high-quality project delivery.

Our work with ISVs and technology companies, including both global leaders in enterprise software platforms and emerging, innovative technology companies focusing on new trends, exposes us to their customers' business and strategic challenges, allowing us to develop vertical-specific domain expertise. In-depth understanding of how vertically-oriented ISVs and technology companies solve their clients' challenges allows us to focus and grow our business in multiple industries, including Banking and Financial Services, Business Information and Media, and Travel and Consumer.

Our Services

Our service offerings cover the full software and product development lifecycle from digital strategy and customer experience design to enterprise application platforms implementation and program management services and from complex software development services to maintenance, support, custom application development, application testing, and infrastructure management. Our key service offerings include:

Software Product Development Services

We provide a comprehensive set of software product development services including product research, customer experience design and prototyping, program management, component design and integration, full lifecycle software testing, product deployment and end-user customization, performance tuning, product support and maintenance, managed services, as well as porting and cross-platform migration. We focus on software products covering a wide range of business applications as well as product development for multiple mobile platforms and embedded software product services.

Custom Application Development Services

We offer complete custom application development services to meet the requirements of businesses with sophisticated application development needs not adequately supported by packaged applications or by existing custom solutions. Our custom application development services leverage our experience in software product development as well as our industry expertise, prebuilt application solution frameworks and specific software product assets. Our range of services includes business and technical requirements analysis, user experience design, solution architecture creation and validation, development, component design and integration, quality assurance and testing, deployment, performance tuning, support and maintenance, legacy applications re-engineering/refactoring, porting and cross-platform migration and documentation.

Application Testing Services

We maintain a dedicated group of testing and quality assurance professionals with experience across a wide range of technology platforms and industry verticals. Our Quality Management System complies with global quality standards such as ISO 9001:2000 and we employ industry-recognized and proprietary defect tracking tools to deliver a comprehensive range of testing services. Our application testing services include: (i) software application testing, including test automation tools and frameworks; (ii) testing for enterprise IT, including test management, automation, functional and non-functional testing, as well as defect management; and (iii) consulting services focused on helping clients improve their existing software testing and quality assurance practices.

Enterprise Application Platforms

As a proven provider of software product development services to major ISVs, we have participated in the development of industry standard technology and business application platforms and their components in such specific areas as customer relationship management and sales automation, enterprise resource planning, enterprise content management, business intelligence, e-commerce, mobile, Software-as-a-Service and cloud deployment. Our experience in such areas allows us to offer services around Enterprise Application Platforms, which include requirements analysis and platform selection, deep and complex customization, cross-platform migration, implementation and integration, as well as support and maintenance. We use our experience, custom tools and specialized knowledge to integrate our clients' chosen application platforms with their internal systems and processes and to create custom solutions filling the gaps in their platforms' functionality necessary to address the needs of the clients' users and customers.

Application Maintenance and Support

We deliver application maintenance and support services through a dedicated team of IT professionals. Our application maintenance and support offerings meet rigorous CMMI and ISAE 3000 Type II requirements. Our clients benefit from our proprietary distributed project management processes and tools, which reduce the time and costs related to maintenance, enhancement and support activities. Our services include incident management, fault investigation diagnosis, work-around provision, application bug fixes, release management, application enhancements and third-party maintenance.

Infrastructure Management Services

Given the increased need for tighter enterprise integration between software development, testing and maintenance with private, public and mobile infrastructures, our service offerings also cover infrastructure management services. We have significant expertise in implementing large infrastructure monitoring solutions, providing real-time notification and control from the low-level infrastructure up to and including applications. Our ISAE 3000 Type II, ISO/IEC 27001:2005 and ISO 9001:2000 certifications provide our clients with third-party verification of our information security policies. Our solutions cover the full lifecycle of infrastructure management including application, database, network, server, storage and systems operations management, as well as incident notification and resolution.

Our Verticals

Strong vertical-specific domain knowledge backed by extensive experience merging technology with the business processes of our clients allows us to deliver tailored solutions to the following industry verticals:

- ISVs and Technology;
- Banking and Financial Services;
- Business Information and Media; and
- Travel and Consumer.

We also serve the diverse technology needs of clients in the energy, telecommunications, automotive, manufacturing, insurance and life sciences industries and the government.

The following table sets forth our revenues by vertical by amount and as a percentage of our revenues for the periods presented:

	Year Ended December 31,					
	2012		2011		2010	
	(in thousands, except percent)					
Vertical						
Banking and Financial Services	$ 111,941	25.8%	$ 76,645	22.9%	$ 43,019	19.4%
ISVs and Technology	106,852	24.6	84,246	25.2	64,905	29.3
Travel and Consumer	95,965	22.1	71,488	21.4	36,135	16.3
Business Information and Media	62,398	14.4	63,988	19.1	46,146	20.8
Other verticals	50,226	11.6	31,985	9.6	27,846	12.5
Reimbursable expenses and other revenues	6,417	1.5	6,176	1.8	3,773	1.7
Revenues	$433,799	100.0%	$334,528	100.0%	$221,824	100.0%

ISVs and Technology. ISVs and technology companies have a constant need for innovation and rapid time-to-market. Since inception, we have focused on providing complex software product development services to leading global ISVs and technology companies to meet these demands. Through our experience with many industry leaders, we have developed rigorous standards for

software product development, as well as proprietary internal processes, methodologies and IT infrastructure. Our services span the complete software development lifecycle for software product development, testing and performance tuning, deployment and maintenance and support. We offer a comprehensive set of software development methodologies, depending on client requirements, from linear or sequential methodologies such as waterfall, to iterative methodologies such as Agile. In addition, we are establishing close partner relationships with many of our ISV and technology company clients and are offering distributed professional services around their product offerings directly to our corporate clients.

Banking and Financial Services. We established our Banking and Financial Services vertical in 2006 and have significant experience working with global retail and investment banks, investment firms, depositories, corporate treasuries, pension funds and market data providers. We offer a broad portfolio of services in asset and wealth management, corporate and retail banking, cards and payments, investment banking and brokerage, research and analysis, as well as governance, risk and compliance. We have also established a Capital Markets Competency Center, which facilitates knowledge exchange, education and collaboration across our organization and develops new software products, frameworks and components to further enhance our industry-specific solutions and services.

Business Information and Media. We have established long term relationships with leading business information and media companies, which enable us to bring sustainable value creation and enhanced return-on-content for organizations within this vertical. Our solutions help clients develop new revenue sources, accelerate the creation, collection, packaging and management of content and reach broader audiences. We serve clients in a range of business information and media sub-sectors, including entertainment media, news providers, broadcasting companies, financial information providers, content distributors and advertising networks. Our Business Information Competency Center enables us to provide our clients with solutions that help them overcome challenges related to operating legacy systems, manage varied content formats, rationalize their online assets and lower their cost of delivery. In addition, we provide knowledge discovery platform services through our InfoNgen business, which combines custom taxonomy development with web crawling, internal file and e-mail classification, newsletter and feed publication and content trend analysis.

Travel and Consumer. We have extensive experience in designing, implementing and supporting solutions for the travel and hospitality industry. This has led to the development of a substantial repository of knowledge components and solutions, such as our Loyalty, Marketing and Booking Engine frameworks, which results in accelerated development and implementation of solutions, while ensuring enterprise-class reliability. Our capabilities span a range of platforms, applications and solutions that businesses in travel and hospitality use to serve their customers, capture management efficiencies, control operating expenses and grow revenues.

We also work closely with leading companies in the retail and consumer industry to enable our clients to better leverage technology and address simultaneous pressures of driving value for the consumer and offering a more engaging experience. Our expertise allows us to integrate our services with our clients' existing enterprise resource planning, billing fulfillment and customer relationship management solutions. Our digital strategy and experience design practice, EPAM Empathy Lab, provides strategy, design, creative, and program management services for clients looking to improve their customer experience. We also offer deep expertise across several domains including business-to-business and business-to-consumer e-commerce, customer/partners self-service, employee portals, online merchandising and sales, web content management, mobile solutions and billing.

Our Delivery Model

We have delivery centers located in Belarus, Ukraine, Russia, Hungary, Kazakhstan and Poland. We have client management locations in the United States, Canada, United Kingdom, Germany, Sweden, Switzerland, Russia and Kazakhstan. We believe the development of a robust global delivery model creates a key competitive advantage, enabling us to better understand and meet our client's diverse needs and provide a compelling value proposition.

Our primary delivery centers with approximately 3,350 IT professionals are located in Belarus, the majority of which are located in Minsk, the capital of Belarus, which is a major educational and industrial center in CEE. It is well-suited to serve as a prime IT outsourcing destination given its strong industrial base, good educational infrastructure and legacy as the center of computer science for the former Soviet Union. Furthermore, the IT industry in Belarus has been strongly supported by the government, which has taken steps to encourage investment in the IT sector through long-term tax incentives.

Our delivery centers in Ukraine have approximately 2,330 IT professionals. Ukraine promotes the growth of a domestic IT outsourcing export industry that is supported by regulation, intellectual property protection and a favorable investment climate.

Our delivery centers in Russia have approximately 1,210 IT professionals. Our locations in Ukraine and Russia offer many of the same benefits as Belarus, including educational infrastructure, availability of qualified software engineers and government sponsorship of the IT industry. We believe our locations in Ukraine and Russia, along with our delivery centers in Belarus, offer a strong and diversified delivery platform across CEE.

Our delivery centers in Hungary have approximately 775 IT professionals and serve as the center for our nearshore delivery capabilities to European clients. Hungary's geographic proximity, cultural affinity and similar time zones with our clients in Europe

enables increased interaction that creates closer client relationships, increased responsiveness and more efficient delivery of our solutions.

Our client management locations maintain account management and production personnel with significant project management capabilities, which enable us to work seamlessly with our clients and delivery centers. Our onsite and offshore delivery teams are linked together through common processes and collaboration applications and tools and a communications infrastructure that features a secure and redundant environment enabling global collaboration.

Quality and Process Management

We have built complex proprietary applications and tools to manage quality, security and transparency of the delivery process in a distributed environment. Our proprietary ISO 9001:2000 and CMMI-certified Quality Management System has been documented, implemented and maintained to ensure the timely delivery of software development services to our clients. We have also developed sophisticated project management techniques facilitated through our Project Management Center, a web-based collaborative environment for software development which we consider critical to meeting or exceeding the service levels required by our clients.

Our Quality Management System ensures that we provide timely delivery of software development services to enhance client satisfaction by enabling:

- objective valuation of the performed process, work products and services against the client's process descriptions, standards and procedures;
- identification, documentation and timely resolution of noncompliance issues;
- feedback to the client's project staff and managers on the results of quality assurance activities;
- monitoring and improvement of the software development process to ensure adopted standards and procedures are implemented and flaws are detected and resolved in a timely manner; and
- execution of planned and systematic problem prevention activities.

Our proprietary Project Management Center supports our software development delivery model. Our Project Management Center is effective in reducing risks and providing control and visibility across all project lifecycle stages based on the following features:

- multi-site, multi-project capabilities;
- activity-based software development lifecycle, which fully tracks the software development activities through the project documentation;
- project, role-based access control, which can be available to us, clients and third parties;
- fully configurable workflow engine with built-in notification and messaging;
- extensive reporting capabilities and tracking of key performance indicators; and
- integration with Microsoft Project and Outlook.

The transparency and visibility into software development project deliverables, resource management, team messaging and project-related documents and files provided by our Project Management Center promotes collaboration and strengthens our relationships with our clients. Improved traceability enables significant time savings and cost reductions for business users and IT management during change management for the software development lifecycle. The combination of our Project Management Center with our other proprietary internal applications enhances our offering by reducing errors, increasing quality and improving maintenance time. Combining applications can lead to more efficient communications and oversight for both clients and our staff.

Sales and Marketing

Our sales and marketing strategy seeks to increase our revenues from new and existing clients through our account managers, sales and business development managers, vertical specialists, technical specialists and subject-matter experts. Given our focus on complex application development and the needs of our clients, we believe our IT professionals play an integral role in engaging with clients on potential business opportunities. For example, account managers are organized vertically and maintain direct client relationships. In addition, they are responsible for handling inbound requests and referrals, identifying new business opportunities and responding to requests-for-proposals, or RFPs. Account managers typically engage technical and other specialists in responding to RFPs and pursuing opportunities. This sales model has been effective in promoting repeated business and growth from within our existing client base.

In addition to effective client management, we believe that our reputation as a premium provider of software product development services drives additional business from inbound requests, referrals and RFPs. We enjoy published recognition from other third-party industry observers, such as Forrester Research, Everest Group, Zinnov, Information Week, and Software Magazine.

We also maintain a dedicated sales force as well as a marketing team, which coordinates corporate-level branding efforts that range from sponsorship of programming competitions to participation in and hosting of industry conferences and events.

Clients

Our clients primarily consist of *Forbes Global 2000* corporations. During 2011 and 2010, one of our largest clients, Thomson Reuters, accounted for over 10% of our revenues; however, in 2012, Thomson Reuters accounted for 6.0% of our revenues and no other client accounted for over 10% of revenues in that period.

The following table sets forth the percentage of our revenues for the periods presented by client location:

	% of Revenues for Year Ended December 31,		
Client Location	**2012**	**2011**	**2010**
North America	47.7%	49.4%	52.8%
Europe	35.8	32.0	26.4
CIS	15.0	16.8	19.1
Reimbursable expenses and other revenues	1.5	1.8	1.7
Revenues	100.0%	100.0%	100.0%

Revenues by client location above differs from the segment information. Our operations consist of four reportable segments: North America, Europe, Russia and Other. This determination is based on the unique business practices and market specifics of each region and that each region engages in business activities from which it earns revenues and incurs expenses. Our reportable segments are based on managerial responsibility for a particular client. Because managerial responsibility for a particular client relationship generally correlates with the client's geographic location, there is a high degree of similarity between client locations and the geographic boundaries of our reportable segments. In some specific cases, however, managerial responsibility for a particular client is assigned to a management team in another region, usually based on the strength of the relationship between client executives and particular members of our senior management team. In a case like this, the client's activity would be reported through the reportable segment. Information about our segments is presented below:

	% of Segment Revenues for Year Ended December 31,		
Segment	**2012**	**2011**	**2010**
North America	45.5%	45.5%	49.7%
Europe	38.9	36.9	30.9
Russia	11.7	13.8	14.2
Other	3.9	3.8	5.2
Segment Revenues	100.0%	100.0%	100.0%

The following table sets forth the percentage of our revenues by client vertical for the periods presented:

	% of Revenues for Year Ended December 31,		
Vertical	**2012**	**2011**	**2010**
Banking and Financial Services	25.8%	22.9%	19.4%
ISVs and Technology	24.6	25.2	29.3
Travel and Consumer	22.1	21.4	16.3
Business Information and Media	14.4	19.1	20.8
Other verticals	11.6	9.6	12.5
Reimbursable expenses and other revenues	1.5	1.8	1.7
Revenues	100.0%	100.0%	100.0%

The following table shows the distribution of our clients by revenues for the periods presented:

Revenues Greater Than or Equal To	2012	2011	2010
$0.1 million	216	176	143
$0.5 million	114	98	72
$1 million	81	54	43
$5 million	16	15	10
$10 million	7	8	4

The following table sets forth our revenues by service offering by amount and as a percentage of our revenues for the periods presented:

Service Offering	Year Ended December 31,					
	2012		2011		2010	
	(in thousands, except percent)					
Software development	$290,139	66.8%	$219,211	65.5%	$149,658	67.5%
Application testing services	85,849	19.8	67,840	20.3	44,459	20.0
Application maintenance and support	36,056	8.3	29,287	8.8	19,262	8.7
Infrastructure services	12,424	2.9	8,488	2.5	2,823	1.3
Licensing	2,914	0.7	3,526	1.1	1,849	0.8
Reimbursable expenses and other revenues	6,417	1.5	6,176	1.8	3,773	1.7
Revenues	$433,799	100.0%	$334,528	100.0%	$221,824	100.0%

We typically enter into a master services agreement with our clients, which provides a framework for services that is then supplemented by statements of work, which specify the particulars of each individual engagement, including the services to be performed, pricing terms and performance criteria.

For example, we have entered into a master services agreement with Thomson Reuters. Under this master services agreement, we may not use subcontractors to perform the services without Thomson Reuters' prior written consent. Our personnel must comply with Thomson Reuters' security policies. The intellectual property rights to deliverables we make in the course of, or enabling the, performance of the services we provide to Thomson Reuters are owned by Thomson Reuters. Deliverables and services are subject to acceptance testing, and liquidated damages are prescribed for late delivery. Service credits are prescribed for service-level failures and charges are subject to adjustment for deficiencies in services that are not measured by service levels. The master services agreement provides step-in rights, benchmarking, monitoring rights and audit rights. The master services agreement is not a commitment to purchase our services, and may be terminated for various reasons including a time-limited right of termination upon a change-of-control event or without cause upon six months' notice.

Competition

The markets in which we compete are changing rapidly and we face competition from both global IT services providers as well as those based in CEE. We believe that the principal competitive factors in our business include technical expertise and industry knowledge, end-to-end solution offerings, reputation and track record for high-quality and on-time delivery of work, effective employee recruiting, training and retention, responsiveness to clients' business needs, scale, financial stability and price.

We face competition primarily from:

- India-based technology outsourcing IT services providers, such as Cognizant Technology Solutions, GlobalLogic, HCL Technologies, Infosys Technologies, Mindtree, Sapient, Symphony Technology Group, Tata Consultancy Services and Wipro;
- Local CEE technology outsourcing IT services providers;
- Large global consulting and outsourcing firms, such as Accenture, Atos Origin, Capgemini, CSC and IBM;
- China-based technology outsourcing IT services providers such as Camelot Information Services, and Pactera; and
- In-house IT departments of our clients and potential clients.

We are a leading global IT services provider of complex software product development and software engineering services in CEE. We believe that our focus on complex software product development solutions, our technical employee base, and the development and continuous improvement in process methodologies, applications and tools position us well to compete effectively in the future. However, we face competition from offshore IT services providers in other outsourcing destinations with low wage costs, such as India and China, and from IT services providers that have more locations or that are based in countries more stable than some CIS and CEE countries. Our present and potential competitors may also have substantially greater financial, marketing or technical

resources; may also be able to respond more quickly to new technologies or processes and changes in client demands; may be able to devote greater resources towards the development, promotion and sale of their services than we can; and may also make strategic acquisitions or establish cooperative relationships among themselves or with third parties that increase their ability to address the needs of our clients.

Human Capital

Our people are critical to the success of our business. Attracting and retaining employees is a key factor in our ability to grow our revenues and meet our clients' needs. We had 10,043, 8,125 and 6,168 employees as of December 31, 2012, 2011 and 2010, respectively. Of these employees, approximately 93% were located in the CIS and CEE, 2% were located in Western Europe (excluding Hungary) and 5% were located in North America as of December 31, 2012. We believe that we maintain a good working relationship with our employees and we have not experienced any labor disputes. Our employees have not entered into any collective bargaining agreements.

Recruitment and Retention

We believe our company culture and reputation as a leading global IT services provider of complex software product development and software engineering services in CEE enhances our ability to recruit and retain highly sought-after employees. We have dedicated full-time employees that oversee all aspects of our human capital management process. Through our proprietary internal tools, we effectively plan our short-term and long-term recruitment needs and deploy the necessary personnel and processes to optimize utilization and to quickly satisfy the demands of our clients.

We have developed our base of IT professionals by hiring highly-qualified, experienced IT professionals from this region and by recruiting students from leading universities in CEE. We have strong relationships with the leading institutions in CEE, such as the Belarusian State University, Belarusian State University of Informatics and Radioelectronics, the Saint Petersburg State University of Information Technologies, Mechanics and Optics, the Moscow State University, the Moscow Institute of Physics & Technology, the Moscow State University of Instrument Engineering and Computer Sciences and the National Technical University of Ukraine, and we have established EPAM delivery centers near many of these campuses. The quality and academic prestige of the CEE educational system is renowned world-wide. For instance, in the 2012 ACM International Collegiate Programming Contest (ICPC), five out of 10 top ranked finishers were from CEE, and two Belarus universities made it in the top 12. Our ongoing involvement with these universities includes supporting EPAM-branded research labs, developing training courses, providing teaching equipment, actively supporting curriculum development and engaging students to identify their talents and interests. Our relationships with these technical institutions provide us access to a highly-qualified talent pool of programmers, and allow us to consistently attract highly-skilled students from these institutions. We also conduct lateral hiring through a dedicated IT professional talent acquisition team whose objective is to locate and attract qualified and experienced IT professionals within the region.

To attract, retain and motivate our IT professionals, we seek to provide an environment and culture that rewards entrepreneurial initiative and performance. In addition, we offer a challenging work environment, ongoing skills development initiatives and attractive career advancement and promotion opportunities.

Training and Development

We dedicate significant resources to the training and development of our IT professionals. We believe in the importance of supporting educational initiatives and we sponsor employees' participation in internal and external training and certifications. Furthermore, we actively pursue partner engagements with technical institutions in CEE.

We provide training, continuing education and career development programs for both entry-level and experienced IT professionals. Entry-level IT professionals undergo a rigorous training program that consists of approximately three to six months of classroom training, as well as numerous hours of hands-on training through actual engagements. This comprehensive program results in employees who are highly proficient and possess deep technical expertise that enables them to immediately serve our clients' needs. For our mid-level and senior IT professionals, we offer continuing education programs aimed at helping them advance in their careers. We also provide mentoring opportunities, management and soft skills training, intensive workshops and management and technical advancement programs. We are committed to systematically identifying and nurturing the development of middle and senior management through formal leadership training, evaluation, development and promotion.

Intellectual Property

Our intellectual property rights are important to our business. We rely on a combination of intellectual property laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property. We require our employees, independent contractors, vendors and clients to enter into written confidentiality agreements upon the commencement of their relationships with us. These agreements generally provide that any confidential or proprietary information disclosed or otherwise made available by us be kept confidential.

We customarily enter into non-disclosure agreements with our clients with respect to the use of their software systems and platforms. Our clients usually own the intellectual property in the software or systems we develop for them. Furthermore, we usually

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grant a perpetual, worldwide, royalty-free, nonexclusive, transferable and non-revocable license to our clients to use our preexisting intellectual property, but only to the extent necessary in order to use the software or systems we developed for them.

Protecting our intellectual property rights is critical to our business. We have invested, and will continue to invest, in research and development to enhance our domain knowledge and create complex, specialized solutions for our clients.

Long-lived Assets

The table below sets forth the locations of our long-lived assets:

Location	As of December 31, 2012	2011
United States	$ 2,048	$ 1,445
Belarus(1)	40,095	26,001
Ukraine	5,357	4,314
Russia	3,234	2,011
Hungary	1,744	1,108
Other	657	603
Total	$53,135	$35,482

(1) At December 31, 2012 and 2011, the amounts included $15.4 million and $15.7 million, respectively, related to our building, and $15.6 million and $1.5 million, respectively, of capitalized construction costs related to our corporate facilities in Minsk, Belarus.

Acquisitions

We have acquired a number of companies in order to expand our vertical-specific domain expertise, geographic footprint, service portfolio, client base and management expertise.

In August 2010, we acquired the assets of Instant Information, Inc., a company with operations in the United States and Belarus with 53 IT professionals, in order to acquire an experienced management team and skilled IT professionals, thereby further strengthening our Business Information and Media vertical, and to acquire the rights to the intellectual property embodied by our InfoNgen services and cloud deployment capabilities.

In May 2012, we completed the acquisition of Thoughtcorp, a Canadian company with a 17-year history of successfully delivering high-value IT solutions and complex software applications to some of Canada’s most prominent companies within the telecommunications, financial and retail sectors. With the Thoughtcorp acquisition we have strengthened our Banking and Financial Services, and Travel and Consumer verticals, and have gained significant telecommunications expertise with a highly skilled and experienced employee base of approximately 50 IT professionals. The acquisition also expands our North American geographic footprint and complements our global delivery capabilities with expertise in areas important for us, such as Agile Development, Enterprise Mobility and Business Intelligence.

In December 2012, we completed the acquisition of Empathy Lab, LLC, a U.S.-based digital strategy and multi-channel experience design firm with approximately 85 IT professionals. The acquisition is intended to enhance our strong capabilities in global delivery of software engineering services with Empathy Lab’s proven expertise in two important growth areas - development and execution of enterprise-wide eCommerce initiatives and transformation of media consumption and distribution channels. In addition to strengthening our Travel and Consumer and Business Information and Media verticals, Empathy Lab brings significant expertise in digital marketing strategy consulting and program management.

Regulations

Due to the industry and geographic diversity of our operations and services, our operations are subject to a variety of rules and regulations, and several Belarusian, Russian, Ukrainian, Hungarian, Kazakhstan and U.S. federal and state agencies regulate various aspects of our business. See “Item 1A. Risk Factors — Risks Relating to Our Business — Our global operations expose us to numerous and sometimes conflicting legal and regulatory requirements, and violations or unfavorable interpretation by authorities of these regulations could harm our business.” and “Item 1A. Risk Factors — Risks Relating to Our Business — We are subject to laws and regulations in the United States and other countries in which we operate concerning our operations, including export restrictions, U.S. economic sanctions and the Foreign Corrupt Practices Act, or FCPA, and similar anti-bribery laws. If we are not in compliance with applicable legal requirements, we may be subject to civil or criminal penalties and other remedial measures, which could adversely affect our business, financial condition and results of operations.”

We benefit from certain tax incentives promulgated by the Belarusian and Hungarian governments. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Certain Income Statement Line Items — Provision for Income Taxes.”

Corporate Information

EPAM Systems, Inc. was incorporated in the State of Delaware on December 18, 2002. Our predecessor entity was founded in 1993. Our principal executive offices are located at 41 University Drive, Suite 202, Newtown, Pennsylvania 18940 and our telephone number is 267-759-9000. We maintain a website at *http://www.epam.com.* Our website and the information accessible through our website are not incorporated into this annual report.

We make certain filings with the Securities and Exchange Commission (“SEC”), including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments and exhibits to those reports. We make such filings available free of charge through the Investor Relations section of our website, *http://investors.epam.com*, as soon as reasonably practicable after they are filed with the SEC. The filings are also available through the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by calling 1-800-SEC-0330. Also, these filings are available on the internet at *http://www.sec.gov*. Our press releases and recent analyst presentations are also available on our website. The information on our website does not constitute a part of this annual report.

Executive Officers of the Registrant

Information about our executive officers required by this item is incorporated by reference to the information in Part III, “Item 10. Directors, Executive Officers and Corporate Governance” of this annual report.

Item 1A. *Risk Factors*

Risk factors which could cause actual results to differ from our expectations and which could negatively impact our financial condition and results of operations are discussed below and elsewhere in this annual report. The risks and uncertainties described below are not the only ones we face. If any of the risks or uncertainties described below or any additional risks and uncertainties actually occur, our business, results of operations and financial condition could be materially and adversely affected. In particular, forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. See “Special Note Regarding Forward-Looking Statements.”

Risks Relating to Our Business

We may be unable to effectively manage our rapid growth or achieve anticipated growth, which could place significant strain on our management personnel, systems and resources.

We have experienced rapid growth and significantly expanded our business over the past several years. Our revenues grew from $160.6 million in 2008 to $433.8 million in 2012. We have also supplemented our organic growth with strategic acquisitions. As of December 31, 2012, we had 8,495 IT professionals, as compared to 2,890 IT professionals as of December 31, 2007. We intend to continue our expansion in the foreseeable future to pursue existing and potential market opportunities.

Our rapid growth has placed and will continue to place significant demands on our management and our administrative, operational and financial infrastructure. Continued expansion increases the challenges we face in:

- recruiting, training and retaining sufficiently skilled IT professionals and management personnel;
- adhering to and further improving our high-quality and process execution standards and maintaining high levels of client satisfaction;
- managing a larger number of clients in a greater number of industries and locations;
- maintaining effective oversight of personnel and delivery centers;
- preserving our culture, values and entrepreneurial environment; and
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems.

As a result of these problems associated with expansion, our business, financial condition and results of operations could be materially adversely affected.

Moreover, we intend to continue our expansion in the foreseeable future to pursue existing and potential market opportunities. As we introduce new services or enter into new markets, we may face new market, technological and operational risks and challenges with which we are unfamiliar, and we may not be able to mitigate these risks and challenges to successfully grow those services or markets. We may not be able to achieve our anticipated growth, which could materially adversely affect our business and prospects.

If we fail to attract and retain highly skilled IT professionals, we may not have the necessary resources to properly staff projects, and failure to successfully compete for such IT professionals could materially adversely affect our ability to provide high quality services to our clients.

Our success depends largely on the contributions of our IT professionals and our ability to attract and retain qualified IT professionals. Competition for IT professionals in the markets in which we operate can be intense and, accordingly, we may not be able to retain or hire all of the IT professionals necessary to meet our ongoing and future business needs. Any reductions in headcount for economic or business reasons, however temporary, could negatively affect our reputation as an employer and our ability to hire IT professionals to meet our business requirements.

The total attrition rates among our IT professionals who have worked for us for at least six months were 10.7%, 9.1% and 9.4% for 2012, 2011 and 2010, respectively. We may encounter higher attrition rates in the future. A significant increase in the attrition rate among IT professionals with specialized skills could decrease our operating efficiency and productivity and could lead to a decline in demand for our services. The competition for highly-skilled IT professionals may require us to increase salaries, and we may be unable to pass on these increased costs to our clients.

In addition, our ability to maintain and renew existing engagements and obtain new business will depend, in large part, on our ability to attract, train and retain skilled IT professionals, including experienced management IT professionals, which enables us to keep pace with growing demands for outsourcing, evolving industry standards and changing client preferences. If we are unable to attract and retain the highly-skilled IT professionals we need, we may have to forgo projects for lack of resources or be unable to staff projects optimally. Our failure to attract, train and retain IT professionals with the qualifications necessary to fulfill the needs of our existing and future clients or to assimilate new IT professionals successfully could materially adversely affect our ability to provide high quality services to our clients.

Increases in wages and other compensation expense for our IT professionals could prevent us from sustaining our competitive advantage.

Wage costs for IT professionals in CIS and CEE countries are lower than comparable wage costs in more developed countries. However, wage costs in the CIS and CEE IT services industry may increase at a faster rate than in the past, which ultimately may make us less competitive unless we are able to increase the efficiency and productivity of our IT professionals as well as the prices we can charge for our services. Increases in wage costs may reduce our profitability.

Additionally, we have granted certain options under our stock incentive plans and entered into certain other stock-based compensation arrangements in the past, as a result of which we have recorded $6.8 million, $2.9 million and $2.9 million as stock-based compensation expenses for the years ended December 31, 2012, 2011 and 2010, respectively.

Generally Accepted Accounting Principles (“GAAP”) prescribes how we account for stock-based compensation which could adversely or negatively impact our results of operations or the price of our common stock. GAAP requires us to recognize stock-based compensation as compensation expense in the statement of operations generally based on the fair value of equity awards on the date of the grant, with compensation expense recognized over the period in which the recipient is required to provide service in exchange for the equity award. The expenses associated with stock-based compensation may reduce the attractiveness of issuing equity awards under our equity incentive plan. However, if we do not grant equity awards, or if we reduce the number of equity awards we grant, we may not be able to attract and retain key personnel. If we grant more equity awards to attract and retain key personnel, the expenses associated with such additional equity awards could materially adversely affect our results of operations. The issuance of equity-based compensation to our IT professionals would also result in additional dilution to our stockholders.

Our success depends substantially on the continuing efforts of our senior executives and other key personnel, and our business may be severely disrupted if we lose their services.

Our future success heavily depends upon the continued services of our senior executives and other key employees. We currently do not maintain key man life insurance for any of the senior members of our management team or other key personnel. If one or more of our senior executives or key employees are unable or unwilling to continue in their present positions, it could disrupt our business operations, and we may not be able to replace them easily or at all. In addition, competition for senior executives and key personnel in our industry is intense, and we may be unable to retain our senior executives and key personnel or attract and retain new senior executives and key personnel in the future, in which case our business may be severely disrupted.

If any of our senior executives or key personnel joins a competitor or forms a competing company, we may lose clients, suppliers, know-how and key IT professionals and staff members to them. Also, if any of our business development managers, who generally keep a close relationship with our clients, joins a competitor or forms a competing company, we may lose clients, and our revenues may be materially adversely affected. Additionally, there could be unauthorized disclosure or use of our technical knowledge, practices or procedures by such personnel. If any dispute arises between our senior executives or key personnel and us, any non-competition, non-solicitation and non-disclosure agreements we have with our senior executives or key personnel might not provide effective protection to us, especially in CIS and CEE countries where some of our senior executives and most of our key employees reside, in light of uncertainties with legal systems in CIS and CEE countries.

Emerging markets such as the CIS and CEE countries are subject to greater risks than more developed markets, including significant legal, economic, tax and political risks.

We have significant operations in CIS and CEE countries which are generally considered to be emerging markets. CEE includes Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Republic of Macedonia, Romania, Russia, Serbia and Montenegro, Slovakia, Slovenia, the former Yugoslav Republic of Macedonia, Turkey and Ukraine. The CIS is comprised of constituents of the former U.S.S.R., including Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. Investors in emerging markets should be aware that these markets are vulnerable to market downturns and economic slowdowns elsewhere in the world and are subject to greater risks than more developed markets, including complying with foreign laws and regulations and the potential imposition of trade or foreign exchange restrictions, tax increases, fluctuations in exchange rates, inflation and unstable political situations and labor issues. Investors should also note that emerging economies such as the economies of Belarus, Russia, Ukraine, Kazakhstan and

Hungary are subject to rapid change and that the information set forth in this annual report may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, an investment in our common stock is appropriate.

We generate a significant portion of our revenues from a small number of clients, and any loss of business from these clients could materially reduce our revenues.

Our ability to maintain close relationships with our major clients is essential to the growth and profitability of our business. However, the volume of work performed for a specific client is likely to vary from year to year, especially since we generally are not our clients' exclusive IT services provider and we do not have long-term commitments from any clients to purchase our services. A major client in one year may not provide the same level of revenues for us in any subsequent year. The IT services we provide to our clients, and the revenues and net income from those services, may decline or vary as the type and quantity of IT services we provide change over time. Furthermore, our reliance on any individual client for a significant portion of our revenues may give that client a certain degree of pricing leverage against us when negotiating contracts and terms of service.

In addition, a number of factors other than our performance could cause the loss of or reduction in business or revenues from a client, and these factors are not predictable. For example, a client may decide to reduce spending on technology services or sourcing from us due to a challenging economic environment or other factors, both internal and external, relating to its business. These factors, among others, may include corporate restructuring, pricing pressure, changes to its outsourcing strategy, switching to another IT services provider or returning work in-house.

The loss of any of our major clients, or a significant decrease in the volume of work they outsource to us or the price at which we sell our services to them, could materially adversely affect our revenues and thus our results of operations.

Our revenues, operating results and profitability may experience significant variability and, as a result, it may be difficult to make accurate financial forecasts.

Our revenues, operating results and profitability have varied in the past and are likely to vary in the future, which could make it difficult to make accurate financial forecasts. Factors that are likely to cause these variations include:

- the number, timing, scope and contractual terms of IT projects in which we are engaged;
- delays in project commencement or staffing delays due to difficulty in assigning appropriately skilled or experienced IT professionals;
- the accuracy of estimates of resources, time and fees required to complete fixed-price projects and costs incurred in the performance of each project;
- changes in pricing in response to client demand and competitive pressures;
- changes in the allocation of onsite and offshore staffing;
- the business decisions of our clients regarding the use of our services;
- the ability to further grow revenues from existing clients;
- the available leadership and senior technical resources compared to junior engineering resources staffed on each project;
- seasonal trends, primarily our hiring cycle and the budget and work cycles of our clients;
- delays or difficulties in expanding our operational facilities or infrastructure;
- the ratio of fixed-price contracts to time-and-materials contracts in process;
- employee wage levels and increases in compensation costs, including timing of promotions and annual pay increases;
- unexpected changes in the utilization rate of our IT professionals;
- unanticipated contract or project terminations;
- the timing of collection of accounts receivable;
- the continuing financial stability of our clients; and
- general economic conditions.

If we are unable to make accurate financial forecasts, it could materially adversely affect our business, financial condition and results of operations.

We do not have long-term commitments from our clients, and our clients may terminate contracts before completion or choose not to renew contracts.

Our clients are generally not obligated for any long-term commitments to us. Although a substantial majority of our revenues are generated from repeated business, which we define as revenues from a client who also contributed to our revenues during the prior year, our engagements with our clients are typically for projects that are singular in nature. In addition, our clients can terminate many of our master services agreements and work orders with or without cause, and in most cases without any cancellation charge. Therefore, we must seek to obtain new engagements when our current engagements are successfully completed or are terminated as well as maintain relationships with existing clients and secure new clients to expand our business.

There are a number of factors relating to our clients that are outside of our control which might lead them to terminate a contract or project with us, including:

- financial difficulties for the client;
- a change in strategic priorities, resulting in elimination of the impetus for the project or a reduced level of technology spending;
- a change in outsourcing strategy resulting in moving more work to the client's in-house technology departments or to our competitors;
- the replacement by our clients of existing software with packaged software supported by licensors; and
- mergers and acquisitions or significant corporate restructurings.

Failure to perform or observe any contractual obligations could result in cancellation or non-renewal of a contract, which could cause us to experience a higher than expected number of unassigned employees and an increase in our cost of revenues as a percentage of revenues, until we are able to reduce or reallocate our headcount. The ability of our clients to terminate agreements makes our future revenues uncertain. We may not be able to replace any client that elects to terminate or not renew its contract with us, which could materially adversely affect our revenues and thus our results of operations.

In addition, some of our agreements specify that if a change of control of our company occurs during the term of the agreement, the client has the right to terminate the agreement. If any future event triggers any change-of-control provision in our client contracts, these master services agreements may be terminated, which would result in loss of revenues.

Our revenues are highly dependent on clients primarily located in the United States and Europe. Worsening economic conditions or factors that negatively affect the economic health of the United States or Europe could reduce our revenues and thus adversely affect our results of operations.

The recent crisis in the financial and credit markets in North America, Europe and Asia led to a global economic slowdown, with the economies of those regions showing significant signs of weakness. The IT services industry is particularly sensitive to the economic environment, and tends to decline during general economic downturns. We derive a significant portion of our revenues from clients in North America and Europe. If the North American or European economies further weaken or slow, pricing for our services may be depressed and our clients may reduce or postpone their technology spending significantly, which may in turn lower the demand for our services and negatively affect our revenues and profitability.

If we are unable to successfully anticipate changing economic and political conditions affecting the markets in which we operate, we may be unable to effectively plan for or respond to those changes, and our results of operations could be adversely affected.

Our profitability will suffer if we are not able to maintain our resource utilization levels and productivity levels.

Our profitability is significantly impacted by our utilization levels of fixed-cost resources, including human resources as well as other resources such as computers and office space, and our ability to increase our productivity levels. We have expanded our operations significantly in recent years through organic growth and strategic acquisitions, which has resulted in a significant increase in our headcount and fixed overhead costs.

Some of our IT professionals are specially trained to work for specific clients or on specific projects and some of our offshore development centers are dedicated to specific clients or specific projects. Our ability to manage our utilization levels depends significantly on our ability to hire and train high-performing IT professionals and to staff projects appropriately and on the general economy and its effect on our clients and their business decisions regarding the use of our services. If we experience a slowdown or stoppage of work for any client or on any project for which we have dedicated IT professionals or facilities, we may not be able to efficiently reallocate these IT professionals and facilities to other clients and projects to keep their utilization and productivity levels high. If we are not able to maintain optimal resource utilization levels without corresponding cost reductions or price increases, our profitability will suffer.

We face intense competition from onshore and offshore IT services companies, and increased competition, our inability to compete successfully against competitors, pricing pressures or loss of market share could materially adversely affect our business.

The market for IT services is highly competitive, and we expect competition to persist and intensify. We believe that the principal competitive factors in our markets are reputation and track record, industry expertise, breadth and depth of service offerings, quality of the services offered, language, marketing and selling skills, scalability of infrastructure, ability to address clients' timing requirements and price.

We face competition from offshore IT services providers in other outsourcing destinations with low wage costs such as India and China, as well as competition from large, global consulting and outsourcing firms and in-house IT departments of large corporations. Clients tend to engage multiple IT services providers instead of using an exclusive IT services provider, which could reduce our revenues to the extent that clients obtain services from other competing IT services providers. Clients may prefer IT services providers that have more locations or that are based in countries more cost-competitive or more stable than some CIS and CEE countries.

Our ability to compete successfully also depends in part on a number of factors beyond our control, including the ability of our competitors to recruit, train, develop and retain highly-skilled IT professionals, the price at which our competitors offer comparable services and our competitors' responsiveness to client needs. Some of our present and potential competitors may have substantially greater financial, marketing or technical resources. Our current and potential competitors may also be able to respond more quickly to new technologies or processes and changes in client demands; may be able to devote greater resources towards the development, promotion and sale of their services than we can; and may also make strategic acquisitions or establish cooperative relationships among themselves or with third parties that increase their ability to address the needs of our clients. Client buying patterns can change if clients become more price sensitive and accepting of low-cost suppliers. Therefore, we cannot assure you that we will be able to retain our clients while competing against such competitors. Increased competition, our inability to compete successfully, pricing pressures or loss of market share could materially adversely affect our business.

We are investing substantial cash in new facilities and physical infrastructure, and our profitability could be reduced if our business does not grow proportionately.

We have made and continue to make significant contractual commitments related to capital expenditures on construction or expansion of our delivery centers, such as in Minsk, Belarus. We may encounter cost overruns or project delays in connection with new facilities. These expansions will likely increase our fixed costs and if we are unable to grow our business and revenues proportionately, our profitability may be reduced.

Our revenues are highly dependent on a limited number of industries, and any decrease in demand for outsourced services in these industries could reduce our revenues and adversely affect our results of operations.

A substantial portion of our clients are concentrated in four specific industry verticals: ISVs and Technology, Banking and Financial Services, Business Information and Media, and Travel and Consumer. Clients in ISVs and Technology accounted for 24.6%, 25.2%, and 29.3% of our revenues in 2012, 2011 and 2010, respectively. Clients in Banking and Financial Services accounted for 25.8%, 22.9%, and 19.4% of our revenues in 2012, 2011 and 2010, respectively. Our business growth largely depends on continued demand for our services from clients in these five industry verticals and other industries that we may target in the future, as well as on trends in these industries to outsource IT services.

A downturn in any of our targeted industries, a slowdown or reversal of the trend to outsource IT services in any of these industries or the introduction of regulations that restrict or discourage companies from outsourcing could result in a decrease in the demand for our services and materially adversely affect our business, financial condition and results of operations. For example, a worsening of economic conditions in the financial services industry and significant consolidation in that industry may reduce the demand for our services and negatively affect our revenues and profitability.

Other developments in the industries in which we operate may also lead to a decline in the demand for our services in these industries, and we may not be able to successfully anticipate and prepare for any such changes. For example, consolidation in any of these industries or acquisitions, particularly involving our clients, may decrease the potential number of buyers of our services. Our clients may experience rapid changes in their prospects, substantial price competition and pressure on their profitability. This, in turn, may result in increasing pressure on us from clients in these key industries to lower our prices, which could adversely affect our results of operations.

If we are not successful in managing increasingly large and complex projects, we may not achieve our financial goals and our results of operations could be adversely affected.

To successfully market our service offerings and obtain larger and more complex projects, we need to establish close relationships with our clients and develop a thorough understanding of their operations. In addition, we may face a number of challenges managing larger and more complex projects, including:

- maintaining high-quality control and process execution standards;
- maintaining planned resource utilization rates on a consistent basis;
- maintaining productivity levels and implementing necessary process improvements;
- controlling costs;
- maintaining close client contact and high levels of client satisfaction; and
- maintaining effective client relationships.

Our ability to successfully manage large and complex projects depends significantly on the skills of our management personnel and IT professionals, some of whom do not have experience managing large-scale or complex projects. In addition, large and complex projects may involve multiple engagements or stages, and there is a risk that a client may choose not to retain us for additional stages or may cancel or delay additional planned engagements. Such cancellations or delays may make it difficult to plan our project resource requirements. If we fail to successfully obtain engagements for large and complex projects, we may not achieve our revenue growth and other financial goals. Even if we are successful in obtaining such engagements, a failure by us to effectively manage these large and complex projects could damage our reputation, cause us to lose business, impact our margins and adversely affect our business and results of operations.

If we are unable to adapt to rapidly changing technologies, methodologies and evolving industry standards we may lose clients and our business could be materially adversely affected.

Rapidly changing technologies, methodologies and evolving industry standards characterize the market for our services. Our future success will depend in part upon our ability to anticipate developments in IT services, enhance our existing services and to develop and introduce new services to keep pace with such changes and developments and to meet changing client needs. The process of developing our client solutions is extremely complex and is expected to become increasingly complex and expensive in the future due to the introduction of new platforms, operating systems, technologies and methodologies. Our ability to keep up with technology, methodology and business changes is subject to a number of risks, including that:

- we may find it difficult or costly to update our services, applications, tools and software and to develop new services quickly enough to meet our clients' needs;
- we may find it difficult or costly to make some features of our software work effectively and securely over the Internet or with new or changed operating systems;
- we may find it difficult or costly to update our software and services to keep pace with business, evolving industry standards, methodologies, regulatory and other developments in the industries where our clients operate; and
- we may find it difficult to maintain a high level of quality in implementing new technologies and methodologies.

We may not be successful in anticipating or responding to these developments in a timely manner, or if we do respond, the services, technologies or methodologies we develop or implement may not be successful in the marketplace. Further, services, technologies or methodologies that are developed by our competitors may render our services non-competitive or obsolete. Our failure to enhance our existing services and to develop and introduce new services to promptly address the needs of our clients could cause us to lose clients and materially adversely affect our business.

We face risks associated with having a long selling and implementation cycle for our services that require us to make significant resource commitments prior to realizing revenues for those services.

We have a long selling cycle for our IT services, which requires significant investment of human resources and time by both our clients and us. Before committing to use our services, potential clients require us to expend substantial time and resources educating them on the value of our services and our ability to meet their requirements. Therefore, our selling cycle is subject to many risks and delays over which we have little or no control, including our clients' decision to choose alternatives to our services (such as other IT services providers or in-house resources) and the timing of our clients' budget cycles and approval processes. If our sales cycle unexpectedly lengthens for one or more large projects, it would negatively affect the timing of our revenues and hinder our revenue growth. For certain clients, we may begin work and incur costs prior to concluding the contract. A delay in our ability to obtain a signed agreement or other persuasive evidence of an arrangement, or to complete certain contract requirements in a particular quarter, could reduce our revenues in that quarter.

Implementing our services also involves a significant commitment of resources over an extended period of time from both our clients and us. Our clients may experience delays in obtaining internal approvals or delays associated with technology, thereby further delaying the implementation process. Our current and future clients may not be willing or able to invest the time and resources necessary to implement our services, and we may fail to close sales with potential clients to which we have devoted significant time and resources. Any significant failure to generate revenues or delays in recognizing revenues after incurring costs related to our sales or services process could materially adversely affect our business.

We may not be able to recognize revenues in the period in which our services are performed, which may cause our margins to fluctuate.

Our services are performed under both time-and-material and fixed-price contract arrangements. All revenues are recognized pursuant to applicable accounting standards. We recognize revenues when realized or realizable and earned, which is when the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured. If there is an uncertainty about the project completion or receipt of payment for the services, revenues are deferred until the uncertainty is sufficiently resolved.

Additionally, we recognize revenues from fixed-price contracts based on the proportional performance method. In instances where final acceptance of the system or solution is specified by the client, revenues are deferred until all acceptance criteria have been met. In absence of a sufficient basis to measure progress towards completion, revenues are recognized upon receipt of final acceptance from the client. Our failure to meet all the acceptance criteria, or otherwise meet a client's expectations, may result in our having to record the cost related to the performance of services in the period that services were rendered, but delay the timing of revenue recognition to a future period in which all acceptance criteria have been met.

If our pricing structures are based on inaccurate expectations and assumptions regarding the cost and complexity of performing our work, then our contracts could be unprofitable.

We negotiate pricing terms with our clients utilizing a range of pricing structures and conditions. Our pricing is highly dependent on our internal forecasts and predictions about our projects and the marketplace, which might be based on limited data and could turn out to be inaccurate. If we do not accurately estimate the costs and timing for completing projects, our contracts could prove unprofitable for us. We face a number of risks when pricing our contracts, as many of our projects entail the coordination of operations and personnel in multiple locations with different skill sets and competencies. Our pricing and cost estimates for the work that we perform sometimes include anticipated long-term cost savings from transformational and other initiatives that we expect to achieve and sustain over the life of the contract. There is a risk that we will underprice our projects, particularly with fixed-price contracts, fail to accurately estimate the costs of performing the work or fail to accurately assess the risks associated with potential contracts. In particular, any increased or unexpected costs, delays or failures to achieve anticipated cost savings, or unexpected risks we encounter in connection with the performance of this work, including those caused by factors outside our control, could make these contracts less profitable or unprofitable.

In addition, a number of our contracts contain pricing terms that condition a portion of the payment of fees by the client on our ability to meet defined performance goals, service levels and completion schedules set forth in the contracts. Our failure to meet such performance goals, service levels or completion schedules or our failure to meet client expectations in such contracts may result in less profitable or unprofitable engagements.

Our profitability could suffer if we are not able to maintain favorable pricing rates.

Our profitability and operating results are dependent on the rates we are able to charge for our services. Our rates are affected by a number of factors, including:

- our clients' perception of our ability to add value through our services;
- our competitors' pricing policies;
- bid practices of clients and their use of third-party vendors;
- the mix of onsite and offshore staffing;
- employee wage levels and increases in compensation costs, including timing of promotions and annual pay increases;
- our ability to charge premium prices when justified by market demand or the type of service; and
- general economic conditions.

If we are not able to maintain favorable pricing for our services, our profitability could suffer.

If we are unable to collect our receivables from, or bill our unbilled services to, our clients, our results of operations and cash flows could be materially adversely affected.

Our business depends on our ability to successfully obtain payment from our clients of the amounts they owe us for work performed. We usually bill and collect on relatively short cycles. We maintain allowances against receivables. Actual losses on client balances could differ from those that we currently anticipate and, as a result, we might need to adjust our allowances. There is no guarantee that we will accurately assess the creditworthiness of our clients. Weak macroeconomic conditions and related turmoil in the global financial system could also result in financial difficulties, including limited access to the credit markets, insolvency, or bankruptcy for our clients, and, as a result, could cause clients to delay payments to us, request modifications to their payment arrangements that could increase our receivables balance, or default on their payment obligations to us. Timely collection of client balances also depends on our ability to complete our contractual commitments and bill and collect our contracted revenues. If we are unable to meet our contractual requirements, we might experience delays in collection of and/or be unable to collect our client balances, and if this occurs, our results of operations and cash flows could be materially adversely affected. Moreover, in the event of delays in payment from our governmental and quasi-governmental clients, we may have difficulty collecting on receivables owed. In addition, if we experience an increase in the time to bill and collect for our services, our cash flows could be materially adversely affected.

Our ability to generate and retain business depends on our reputation in the marketplace.

Our services are marketed to clients and prospective clients based on a number of factors. Since many of our specific client engagements involve unique services and solutions, our corporate reputation is a significant factor in our clients' evaluation of whether to engage our services. We believe the EPAM brand name and our reputation are important corporate assets that help distinguish our services from those of our competitors and also contribute to our efforts to recruit and retain talented employees. However, our corporate reputation is potentially susceptible to damage by actions or statements made by current or former clients, competitors, vendors, adversaries in legal proceedings, government regulators, as well as members of the investment community and the media. There is a risk that negative information about our company, even if based on false rumor or misunderstanding, could adversely affect our business. In particular, damage to our reputation could be difficult and time-consuming to repair, could make potential or existing clients reluctant to select us for new engagements, resulting in a loss of business, and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of the EPAM brand name and could reduce investor confidence in us.

Our effective tax rate could be materially adversely affected by several factors.

We conduct business globally and file income tax returns in multiple jurisdictions. Our effective tax rate could be materially adversely affected by several factors, including changes in the amount of income taxed by or allocated to the various jurisdictions in which we operate that have differing statutory tax rates; changing tax laws, regulations and interpretations of such tax laws in multiple jurisdictions; and the resolution of issues arising from tax audits or examinations and any related interest or penalties.

We report our results of operations based on our determination of the amount of taxes owed in the various jurisdictions in which we operate. We have transfer pricing arrangements among our subsidiaries in relation to various aspects of our business, including operations, marketing, sales and delivery functions. U.S. transfer pricing regulations, as well as regulations applicable in CIS and CEE countries in which we operate, require that any international transaction involving associated enterprises be on arm's-length terms. We consider the transactions among our subsidiaries to be on arm's-length terms. The determination of our consolidated provision for income taxes and other tax liabilities requires estimation, judgment and calculations where the ultimate tax determination may not be certain. Our determination of tax liability is always subject to review or examination by authorities in various jurisdictions.

If a tax authority in any jurisdiction reviews any of our tax returns and proposes an adjustment, including as a result of a determination that the transfer prices and terms we have applied are not appropriate, such an adjustment could have a negative impact on our business.

Our earnings could be adversely affected if we change our intent not to repatriate earnings in the CIS and CEE or such earnings become subject to U.S. tax on a current basis.

We do not accrue incremental U.S. taxes on all CIS and CEE earnings as these earnings (as well as other foreign earnings for all periods) are considered to be indefinitely reinvested outside of the United States. While we have no plans to do so, events may occur in the future that could effectively force us to change our intent not to repatriate our foreign earnings. If we change our intent and repatriate such earnings, we will have to accrue the applicable amount of taxes associated with such earnings and pay taxes at a substantially higher rate than our effective income tax rate in 2013. These increased taxes could materially adversely affect our financial condition and results of operations.

Our operating results may be negatively impacted by the loss of certain tax benefits provided by the governments of Belarus, Hungary and Russia to companies in our industry.

Our subsidiary in Belarus is a member of the Belarus Hi-Tech Park, in which member technology companies are exempt or levied at a reduced rate on a variety of taxes, including a 100% exemption from Belarusian income tax (which as of the date of this annual report was 18% and an exemption from the value added tax, for a period of 15 consecutive years effective July 1, 2006). In addition, our subsidiary in Hungary benefits from a tax credit of 10% of qualified salaries, taken over a four-year period, for up to 70% of the total tax due for that period. We have been able to take the full 70% credit for 2007 to 2012. The Hungarian tax authorities repealed the tax credit beginning with 2012. Credits earned in years prior to 2012, however, will be allowed through 2014. We anticipate full utilization up to the 70% limit until 2014, with full phase out in 2015. Our subsidiary in Russia benefits from a substantially reduced rate on social contributions and an exemption on value added tax in certain circumstances, which is a benefit to qualified IT companies in Russia. If the tax holiday relating to our Belarusian subsidiary, the tax incentives relating to our Hungarian subsidiary or the lower tax rates and social contributions relating to our Russian subsidiary are changed, terminated, not extended or comparable new tax incentives are not introduced, we expect that our effective income tax rate and/or our operating expenses would increase significantly, which could materially adversely affect our financial condition and results of operations. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Certain Income Statement Line Items — Provision for Income Taxes."

Our agreement with one of our largest clients gives it the option to assume the operations of one of our offshore development centers, and the exercise of that option could result in a loss of future revenues and adversely affect our results of operations.

During the four-year term of our agreement with one of our largest clients, which ends in December 2014 unless extended by the client, the client is entitled to request us to transfer to it or its designees all of the operating relationships, including employment relationships with the employees dedicated to the offshore development center and contracts with subcontractors, at a pre-determined transfer price dependent on the experience level of the transferred employee and the duration such employee worked on projects for the client. We are required to transfer assets that have already been financed by the client under our agreement, such as our offshore development center dedicated to the client, at a de minimis pre-agreed price. Since our client has already financed such assets, the carrying value of such assets is de minimis. In addition to the above amounts, the client is also required to pay a negotiated value or book value for the assets to be transferred that have not already been financed by the client. This client accounted for 9.2%, 6.3% and 2.9% of our revenues in 2012, 2011 and 2010, respectively. In addition, under our agreement, the client has the right to step in and take over all or part of the offshore development center in certain instances, including if we are in material default under certain provisions of our agreement, such as those related to the level or quality of our services, or the client has determined it is otherwise obliged to do so in emergencies or for regulatory reasons. In the event the client takes over any services we provide under our agreement, it will not be obligated to pay us for the provision of those services. If the client exercises these rights, we would lose future revenues related to the services we provide to the client, as well as lose some of our assets and key employees, and our losses may not be fully covered by the contractual payment, which could adversely affect our results of operations.

Undetected software design defects, errors or failures may result in loss of or delay in market acceptance of our services or in liabilities that could materially adversely affect our business.

Our software development solutions involve a high degree of technological complexity and have unique specifications and could contain design defects or software errors that are difficult to detect and correct. Errors or defects may result in the loss of current clients and loss of, or delay in, revenues, loss of market share, loss of client data, a failure to attract new clients or achieve market acceptance, diversion of development resources and increased support or service costs. We cannot assure you that, despite testing by us and our clients, errors will not be found in new software product development solutions, which could result in litigation and other claims for damages against us and thus could materially adversely affect our business.

Disruptions in internet infrastructure, telecommunications or significant failure in our IT systems could harm our service model, which could result in a reduction of our revenue.

Part of our service model is to maintain active voice and data communications, financial control, accounting, customer service and other data processing systems between our clients' offices, our delivery centers and our client management locations (including our headquarters in Newtown, PA). Our business activities may be materially disrupted in the event of a partial or complete failure of any of these internet, IT or communication systems, which could be caused by, among other things, software malfunction, computer virus attacks, conversion errors due to system upgrading, damage from fire, earthquake, power loss, telecommunications failure, unauthorized entry, demands placed on internet infrastructure by growing numbers of users and time spent online or increased bandwidth requirements or other events beyond our control. Loss of all or part of the infrastructure or systems for a period of time could hinder our performance or our ability to complete client projects on time which, in turn, could lead to a reduction of our revenue or otherwise materially adversely affect our business and business reputation.

Our computer networks may be vulnerable to security risks that could disrupt our services and cause us to incur losses or liabilities that could adversely affect our business.

Our computer networks may be vulnerable to unauthorized access, computer hackers, computer viruses, worms, malicious applications and other security problems caused by unauthorized access to, or improper use of, systems by third parties or employees. A hacker who circumvents security measures could misappropriate proprietary information, including personally identifiable information, or cause interruptions or malfunctions in our operations. Although we intend to continue to implement security measures, computer attacks or disruptions may jeopardize the security of information stored in and transmitted through our computer systems. Actual or perceived concerns that our systems may be vulnerable to such attacks or disruptions may deter our clients from using our solutions or services. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches.

Data networks are also vulnerable to attacks, unauthorized access and disruptions. For example, in a number of public networks, hackers have bypassed firewalls and misappropriated confidential information, including personally identifiable information. It is possible that, despite existing safeguards, an employee could misappropriate our clients' proprietary information or data, exposing us to a risk of loss or litigation and possible liability. Losses or liabilities that are incurred as a result of any of the foregoing could adversely affect our business.

If we cause disruptions to our clients' businesses or provide inadequate service, our clients may have claims for substantial damages against us, which could cause us to lose clients, have a negative effect on our reputation and adversely affect our results of operations.

If our IT professionals make errors in the course of delivering services to our clients or fail to consistently meet service requirements of a client, these errors or failures could disrupt the client's business, which could result in a reduction in our revenues or a claim for substantial damages against us. In addition, a failure or inability to meet a contractual requirement could seriously damage our reputation and affect our ability to attract new business.

The services we provide are often critical to our clients' businesses. Certain of our client contracts require us to comply with security obligations including maintaining network security and backup data, ensuring our network is virus-free, maintaining business continuity planning procedures, and verifying the integrity of employees that work with our clients by conducting background checks. Any failure in a client's system or breach of security relating to the services we provide to the client could damage our reputation or result in a claim for substantial damages against us. Any significant failure of our equipment or systems, or any major disruption to basic infrastructure like power and telecommunications in the locations in which we operate, could impede our ability to provide services to our clients, have a negative impact on our reputation, cause us to lose clients, and adversely affect our results of operations.

Under our contracts with our clients, our liability for breach of our obligations is in some cases limited pursuant to the terms of the contract. Such limitations may be unenforceable or otherwise may not protect us from liability for damages. In addition, certain liabilities, such as claims of third parties for which we may be required to indemnify our clients, are generally not limited under our contracts. The successful assertion of one or more large claims against us in amounts greater than those covered by our current insurance policies could materially adversely affect our business, financial condition and results of operations. Even if such assertions against us are unsuccessful, we may incur reputational harm and substantial legal fees.

Our subcontracting practices may expose us to technical uncertainties, potential liabilities and reputational harm.

In order to meet our personnel needs, increase workforce flexibility, and improve pricing competitiveness, we use subcontractors and freelancers primarily to perform short-term assignments in certain specialty areas or on other projects where it is impractical to use our employees, or where we need to supplement our resources. We also use subcontractors for internal assignments, such as assisting in development of internal systems, recruiting, training, human resources consulting and administration, and other similar support functions. Despite certain advantages of subcontracting, such arrangements also give rise to a number of risks.

Although we try to source competent and credible third parties as our subcontractors, they may not be able to deliver the level of service that our clients expect us to deliver. Furthermore, we enter into confidentiality agreements with our subcontractors, but we cannot guarantee that they will not breach the confidentiality of us or our clients and misappropriate our or our clients' proprietary information and technology in the course of providing service. We, as the party to the contract with the client, are directly responsible for the losses our subcontractors cause our clients. Under the subcontracting agreements we enter into, our subcontractors generally promise to indemnify us for damages caused by their breach, but we may be unable to collect under these agreements. Moreover, their breaches may damage our reputation, cause us to lose existing business and adversely affect our ability to acquire new business in the future.

There may be adverse tax and employment law consequences if the independent contractor status of our IT professionals or the exempt status of our employees is successfully challenged.

Some of our IT professionals are retained as independent contractors. Although we believe that we have properly classified these individuals as independent contractors, there is nevertheless a risk that the IRS or another federal, state, provincial or foreign authority will take a different view. Furthermore, the tests governing the determination of whether an individual is considered to be an independent contractor or an employee are typically fact sensitive and vary from jurisdiction to jurisdiction. Laws and regulations that govern the status and misclassification of independent contractors are subject to change or interpretation by various authorities. If a federal, state, provincial or foreign authority or court enacts legislation or adopts regulations that change the manner in which employees and independent contractors are classified or makes any adverse determination with respect to some or all of our independent contractors, we could incur significant costs under such laws and regulations, including for prior periods, in respect of tax withholding, social security taxes or payments, workers' compensation and unemployment contributions, and recordkeeping, or we may be required to modify our business model, any of which could materially adversely affect our business, financial condition and results of operations. There is also a risk that we may be subject to significant monetary liabilities arising from fines or judgments as a result of any such actual or alleged non-compliance with federal, state, provincial or foreign tax laws. Further, if it were determined that any of our independent contractors should be treated as employees, we could possibly incur additional liabilities under our applicable employee benefit plans.

In addition, we have classified all of our U.S. employees as "exempt" under the Federal Labor Standards Act, or the FLSA. If it were determined that any of our U.S. employees should be classified as "non-exempt" under the FLSA, we may incur costs and liabilities for back wages, unpaid overtime, fines or penalties and/or be subject to employee litigation.

Our insurance coverage may be inadequate to protect us against losses.

Although we maintain some insurance coverage, including professional liability insurance, property insurance coverage for certain of our facilities and equipment and business interruption insurance coverage for certain of our operations, we do not insure for all risks in our operations. If any claims for injury are brought against us, or if we experience any business disruption, litigation or natural disaster, we might incur substantial costs and diversion of resources.

Most of the agreements we have entered into with our clients require us to purchase and maintain specified insurance coverage during the terms of the agreements, including commercial general insurance or public liability insurance, umbrella insurance, product liability insurance, and workers' compensation insurance. Some of these types of insurance are not available on reasonable terms or at all in CIS and CEE countries. Although to date no client has brought any claims against us for such failure, our clients have the right to terminate these agreements as a result of such failure.

Our business could be negatively affected if we incur legal liability, including with respect to our indemnification obligations, in connection with providing our solutions and services.

If we fail to meet our contractual obligations or otherwise breach obligations to our clients, we could be subject to legal liability. We may enter into non-standard agreements because we perceive an important economic opportunity or because our personnel did not adequately adhere to our guidelines. In addition, the contracting practices of our competitors may cause contract terms and conditions that are unfavorable to us to become standard in the marketplace. If we cannot or do not perform our obligations, we could face legal liability and our contracts might not always protect us adequately through limitations on the scope and/or amount of our potential liability. If we cannot, or do not, meet our contractual obligations to provide solutions and services, and if our exposure is not adequately limited through the terms of our agreements, we might face significant legal liability and our financial condition and results of operations could be materially adversely affected.

In the normal course of business and in conjunction with certain client engagements, we have entered into contractual arrangements through which we may be obligated to indemnify clients or other parties with whom we conduct business with respect to certain matters. These arrangements can include provisions whereby we agree to defend and hold the indemnified party and certain of their affiliates harmless with respect to claims related to matters including our breach of certain representations, warranties or covenants, or out of our intellectual property infringement, our gross negligence or willful misconduct, and certain other claims. Payments by us under any of these arrangements are generally conditioned on the client making a claim and providing us with full control over the defense and settlement of such claim. It is not possible to determine the maximum potential amount under these indemnification agreements due to the unique facts and circumstances involved in each particular agreement, and any claims under these agreements may not be subject to liability limits or exclusion of consequential, indirect or punitive damages. Historically, we have not made payments under these indemnification agreements so they have not had any impact on our operating results, financial position, or cash flows. However, if events arise requiring us to make payment for indemnification claims under our indemnification obligations in contracts we have entered, such payments could have a material impact on our financial condition and results of operations.

We may be liable to our clients for damages caused by a violation of intellectual property rights, the disclosure of other confidential information, including personally identifiable information, system failures, errors or unsatisfactory performance of services, and our insurance policies may not be sufficient to cover these damages.

We often have access to, and are required to collect and store, sensitive or confidential client information, including personally identifiable information. Some of our client agreements do not limit our potential liability for breaches of confidentiality, infringement indemnity and certain other matters. Furthermore, breaches of confidentiality may entitle the aggrieved party to equitable remedies, including injunctive relief. If any person, including any of our employees, penetrates our network security or misappropriates sensitive or confidential client information, including personally identifiable information, we could be subject to significant liability from our clients or from our clients' customers for breaching contractual confidentiality provisions or privacy laws. The protection of the intellectual property rights and other confidential information or personally identifiable information of our clients is particularly important for us since our operations are mainly based in CIS and CEE countries. CIS and CEE countries have not traditionally enforced intellectual property protection to the same extent as countries such as the United States. Despite measures we take to protect the intellectual property and other confidential information or personally identifiable information of our clients, unauthorized parties, including our employees and subcontractors, may attempt to misappropriate certain intellectual property rights that are proprietary to our clients or otherwise breach our clients' confidences. Unauthorized disclosure of sensitive or confidential client information, including personally identifiable information, or a violation of intellectual property rights, whether through employee misconduct, breach of our computer systems, systems failure or otherwise, may subject us to liabilities, damage our reputation and cause us to lose clients.

Many of our contracts involve projects that are critical to the operations of our clients' businesses and provide benefits to our clients that may be difficult to quantify. Any failure in a client's system or any breach of security could result in a claim for substantial damages against us, regardless of our responsibility for such failure. Furthermore, any errors by our employees in the performance of services for a client, or poor execution of such services, could result in a client terminating our engagement and seeking damages from us.

Although we attempt to limit our contractual liability for consequential damages in rendering our services, these limitations on liability may not apply in all circumstances, may be unenforceable in some cases, or may be insufficient to protect us from liability for damages. There may be instances when liabilities for damages are greater than the insurance coverage we hold and we will have to internalize those losses, damages and liabilities not covered by our insurance.

We may not be able to prevent unauthorized use of our intellectual property, and our intellectual property rights may not be adequate to protect our business and competitive position.

We rely on a combination of copyright, trademark, unfair competition and trade secret laws, as well as confidentiality agreements and other methods to protect our intellectual property rights. Implementation of intellectual property-related laws in CIS and CEE countries has historically been lacking, primarily because of ambiguities in the laws and difficulties in enforcement. Accordingly, protection of intellectual property rights and confidentiality in CIS and CEE countries may not be as effective as that in the United States or other countries.

To protect our and our clients' proprietary information and other intellectual property, we require our employees, independent contractors, vendors and clients to enter into written confidentiality agreements with us. These agreements may not provide meaningful protection for trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. Policing unauthorized use of proprietary technology is difficult and expensive. The steps we have taken may be inadequate to prevent the misappropriation of our and our clients' proprietary technology. Reverse engineering, unauthorized copying or other misappropriation of our and our clients' proprietary technologies, tools and applications could enable third parties to benefit from our or our clients' technologies, tools and applications without paying us for doing so, and our clients may hold us liable for that act and seek damages and compensation from us, which could harm our business and competitive position.

We rely on our trademarks, trade names, service marks and brand names to distinguish our services and solutions from the services of our competitors, and have registered or applied to register several of these trademarks. We cannot assure you that our trademark applications will be approved. Third parties may oppose our trademark applications, or otherwise challenge our use of our trademarks. For instance, in 2005, we entered into a Consent of Use and Settlement Agreement that allowed a third party to use the mark "ePAM" (as capitalized in the foregoing) and restricted our ability to do so. For more information see "Item 1. Business — Intellectual Property." In the event that our trademarks are successfully challenged, we could be forced to rebrand our services and solutions, which could result in loss of brand recognition, and could require us to devote resources to advertising and marketing new brands. Further, we cannot assure you that competitors will not infringe our trademarks, or that we will have adequate resources to enforce our trademarks.

We may need to enforce our intellectual property rights through litigation. Litigation relating to our intellectual property may not prove successful and might result in substantial costs and diversion of resources and management attention.

In addition, we rely on certain third-party software to conduct our business. If we lose the licenses which permit us to use such software, they may be difficult to replace and it may be costly to do so.

We may face intellectual property infringement claims that could be time-consuming and costly to defend. If we fail to defend ourselves against such claims, we may lose significant intellectual property rights and may be unable to continue providing our existing services.

Our success largely depends on our ability to use and develop our technology, tools, code, methodologies and services without infringing the intellectual property rights of third parties, including patents, copyrights, trade secrets and trademarks. We may be subject to litigation involving claims of patent infringement or violation of other intellectual property rights of third parties. We typically indemnify clients who purchase our services and solutions against potential infringement of intellectual property rights, which subjects us to the risk of indemnification claims. These claims may require us to initiate or defend protracted and costly litigation on behalf of our clients, regardless of the merits of these claims and are often not subject to liability limits or exclusion of consequential, indirect or punitive damages. If any of these claims succeed, we may be forced to pay damages on behalf of our clients, redesign or cease offering our allegedly infringing services or solutions, or obtain licenses for the intellectual property such services or solutions allegedly infringe. If we cannot obtain all necessary licenses on commercially reasonable terms, our clients may be forced to stop using our services or solutions.

The holders of patents and other intellectual property rights potentially relevant to our service offerings may make it difficult for us to acquire a license on commercially acceptable terms. Also, we may be unaware of intellectual property registrations or applications relating to our services that may give rise to potential infringement claims against us. There may also be technologies licensed to and relied on by us that are subject to infringement or other corresponding allegations or claims by third parties which may damage our ability to rely on such technologies.

Further, our current and former employees and/or subcontractors could challenge our exclusive rights in the software they have developed in the course of their employment. In Russia and certain other countries in which we operate, an employer is deemed to own the copyright in works created by its employees during the course, and within the scope, of their employment, but the employer may be required to satisfy additional legal requirements in order to make further use and dispose of such works. While we believe that we have complied with all such requirements, and have fulfilled all requirements necessary to acquire all rights in software developed by our independent contractors and/or subcontractors, these requirements are often ambiguously defined and enforced. As a result, we cannot assure that we would be successful in defending against any claim by our current or former employees, independent contractors and/or subcontractors challenging our exclusive rights over the use and transfer of works those employees, independent contractors and/or subcontractors created or requesting additional compensation for such works.

We are subject to additional risks as a result of our recent and possible future acquisitions and the hiring of new employees who may misappropriate intellectual property from their former employers. The developers of the technology that we have acquired or may acquire may not have appropriately created, maintained or enforced intellectual property rights in such technology. Indemnification and other rights under acquisition documents may be limited in term and scope and may therefore provide little or no protection from these risks. Parties making infringement claims may be able to obtain an injunction to prevent us from delivering our services or using technology involving the allegedly infringing intellectual property. Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. A successful infringement claim against us, whether with or without merit, could, among others things, require us to pay substantial damages, develop non-infringing technology, or rebrand our name or enter into royalty or license agreements that may not be available on acceptable terms, if at all, and would require us to cease making, licensing or using products that have infringed a third party's intellectual property rights. Protracted litigation could also result in existing or potential clients deferring or limiting their purchase or use of our software product development services or solutions until resolution of such litigation, or could require us to indemnify our clients against infringement claims in certain instances. Any intellectual property claim or litigation in this area, whether we ultimately win or lose, could damage our reputation and materially adversely affect our business, financial condition and results of operations.

Our global operations expose us to numerous and sometimes conflicting legal and regulatory requirements, and violations or unfavorable interpretation by authorities of these regulations could harm our business.

Because we provide IT services to clients throughout the world, we are subject to numerous, and sometimes conflicting, legal rules on matters as diverse as import/export controls, content requirements, trade restrictions, tariffs, taxation, sanctions, government affairs, internal and disclosure control obligations, data privacy and labor relations, particularly in the CIS and CEE countries in which we operate. Our systems and operations are located almost entirely in the CIS and CEE and laws and regulations that are applicable to us, but not to our competitors, may impede our ability to develop and offer services that compete effectively with those offered by our non-CIS or -CEE based competitors and generally available worldwide. Violations of these laws or regulations in the conduct of our

business could result in fines, criminal sanctions against us or our officers, prohibitions on doing business, damage to our reputation and other unintended consequences such as liability for monetary damages, fines and/or criminal prosecution, unfavorable publicity, restrictions on our ability to process information and allegations by our clients that we have not performed our contractual obligations. Due to the varying degrees of development of the legal systems of the countries in which we operate, local laws might be insufficient to protect our rights. Our failure to comply with applicable legal and regulatory requirements could materially adversely affect our business.

We are subject to laws and regulations in the United States and other countries in which we operate concerning our operations, including export restrictions, U.S. economic sanctions and the Foreign Corrupt Practices Act, or FCPA, and similar anti-bribery laws. If we are not in compliance with applicable legal requirements, we may be subject to civil or criminal penalties and other remedial measures.

Our operations are subject to laws and regulations restricting our operations, including activities involving restricted countries, organizations, entities and persons that have been identified as unlawful actors or that are subject to U.S. sanctions imposed by the Office of Foreign Assets Control, or OFAC, or other international economic sanctions that prohibit us from engaging in trade or financial transactions with certain countries, businesses, organizations and individuals. We are subject to the FCPA, which prohibits U.S. companies and their intermediaries from bribing foreign officials for the purpose of obtaining or keeping business or otherwise obtaining favorable treatment, and other laws concerning our international operations. The FCPA's foreign counterparts contain similar prohibitions, although varying in both scope and jurisdiction. We operate in many parts of the world that have experienced governmental corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices.

We have recently developed and are in the process of implementing formal controls and procedures to ensure that we are in compliance with the FCPA, OFAC sanctions, and similar sanctions, laws and regulations. The implementation of such procedures may be time consuming and expensive, and could result in the discovery of issues or violations with respect to the foregoing by us or our employees, independent contractors, subcontractors or agents of which we were previously unaware.

Any violations of these laws, regulations and procedures by our employees, independent contractors, subcontractors and agents could expose us to administrative, civil or criminal penalties, fines or restrictions on export activities (including other U.S. laws and regulations as well as foreign and local laws) and would adversely affect our reputation and the market for shares of our common stock and may require certain of our investors to disclose their investment in our company under certain state laws. If we are not in compliance with export restrictions, U.S. or international economic sanctions or other laws and regulations that apply to our operations, we may be subject to civil or criminal penalties and other remedial measures.

Anti-outsourcing legislation, if adopted, could harm our ability to compete effectively and impair our ability to service our clients.

The issue of companies outsourcing services to organizations operating in other countries is a topic of political discussion in many countries, including the United States, which is our largest source of revenues. Many organizations and public figures in the United States and Europe have publicly expressed concern about a perceived association between offshore outsourcing IT services providers and the loss of jobs in their home countries. For example, measures aimed at limiting or restricting outsourcing by U.S. companies are periodically considered in Congress and in numerous state legislatures to address concerns over the perceived association between offshore outsourcing and the loss of jobs in the United States. A number of U.S. states have passed legislation that restricts state government entities from outsourcing certain work to offshore IT services providers. Given the ongoing debate over this issue, the introduction and consideration of other restrictive legislation is possible. If enacted, such measures may broaden restrictions on outsourcing by federal and state government agencies and on government contracts with firms that outsource services directly or indirectly, impact private industry with measures such as tax disincentives or intellectual property transfer restrictions, and/or restrict the use of certain business visas. In the event that any of these measures becomes law, our ability to service our clients could be impaired and our business, financial condition and results of operations could be materially adversely affected.

Legislation enacted in certain European jurisdictions and any future legislation in Europe or any other country in which we have clients restricting the performance of services from an offshore location could also materially adversely affect our business, financial condition and results of operations. For example, legislation enacted in the United Kingdom, based on the 1977 EC Acquired Rights Directive, has been adopted in some form by many European Union countries, and provides that if a company outsources all or part of its business to an IT services provider or changes its current IT services provider, the affected employees of the company or of the previous IT services provider are entitled to become employees of the new IT services provider, generally on the same terms and conditions as their original employment. In addition, dismissals of employees who were employed by the company or the previous IT services provider immediately prior to that transfer are automatically considered unfair dismissals that entitle such employees to compensation. As a result, in order to avoid unfair dismissal claims, we may have to offer, and become liable for, voluntary redundancy payments to the employees of our clients who outsource business to us in the United Kingdom and other European Union

countries who have adopted similar laws. This legislation could materially affect our ability to obtain new business from companies in the United Kingdom and European Union and to provide outsourced services to companies in the United Kingdom and European Union in a cost-effective manner.

In addition, from time to time, there has been publicity about negative experiences associated with offshore outsourcing, such as theft and misappropriation of sensitive client data. Current or prospective clients may elect to perform certain services themselves or may be discouraged from transferring services from onshore to offshore IT services providers to avoid negative perceptions that may be associated with using an offshore IT services provider. Any slowdown or reversal of the existing industry trends toward offshore outsourcing would seriously harm our ability to compete effectively with competitors that provide services from within the country in which our clients operate.

Our international sales and operations are subject to many uncertainties.

Revenues from clients outside North America represented 50.8%, 48.8% and 45.5% of our revenues for 2012, 2011 and 2010, respectively. We anticipate that clients outside North America will continue to account for a material portion of our revenues in the foreseeable future and may increase as we expand our international presence, particularly in Europe and the CIS. In addition, the majority of our employees, along with our development and delivery centers, are located in the CIS and CEE. As a result, we may be subject to risks inherently associated with international operations, including risks associated with foreign currency exchange rate fluctuations, which may cause volatility in our reported income, and risks associated with the application and imposition of protective legislation and regulations relating to import or export or otherwise resulting from foreign policy or the variability of foreign economic conditions.

Additional risks associated with international operations include difficulties in enforcing intellectual property and/or contractual rights, the burdens of complying with a wide variety of foreign laws, potentially adverse tax consequences, tariffs, quotas and other barriers and potential difficulties in collecting accounts receivable. In addition, we may face competition in other countries from companies that may have more experience with operations in such countries or with international operations. Additionally, such companies may have long-standing or well-established relationships with desired clients, which may put us at a competitive disadvantage. We may also face difficulties integrating new facilities in different countries into our existing operations, as well as integrating employees that we hire in different countries into our existing corporate culture. Our international expansion plans may not be successful and we may not be able to compete effectively in other countries. There can be no assurance that these and other factors will not impede the success of our international expansion plans or limit our ability to compete effectively in other countries.

Restrictions on immigration may affect our ability to compete for and provide services to clients in the United States or other countries, which could hamper our growth and cause our revenues to decline.

The vast majority of our employees are nationals of CIS and CEE countries. Some of our projects require a portion of the work to be undertaken at our clients' facilities which are sometimes located outside the CIS and CEE. The ability of our employees to work in the United States, Europe, the CIS and other countries outside the CIS and CEE depends on their ability to obtain the necessary visas and work permits. Historically, the process for obtaining visas for nationals of CIS and CEE countries to certain countries, including the United States and Europe, has been lengthy and cumbersome. Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. Particularly given the recent global economic downturn, it is possible that there could be a change in the existing laws or the enactment of new legislation imposing restrictions on the deployment of work visa holders at client locations, which could adversely impact our ability to do business in the jurisdictions in which we have clients. However, it is generally difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or maintaining business visas for our employees. Our reliance on visas for a number of employees makes us vulnerable to such changes and variations as it affects our ability to staff projects with employees who are not citizens of the country where the work is to be performed. As a result, we may not be able to obtain a sufficient number of visas for our employees or we may encounter delays or additional costs in obtaining or maintaining such visas in which case we may not be able to provide services to our clients on a timely and cost-effective basis or manage our sales and delivery centers as efficiently as we otherwise could, any of which could hamper our growth and cause our revenues to decline.

If we fail to integrate or manage acquired companies efficiently, or if the acquired companies are difficult to integrate, divert management resources or do not perform to our expectations, we may not be able to realize the benefits envisioned for such acquisitions, and our overall profitability and growth plans could be materially adversely affected.

On occasion we have expanded our service capabilities and gained new clients through selective acquisitions. Our ability to successfully integrate an acquired entity and realize the benefits of an acquisition requires, among other things, successful integration of technologies, operations and personnel. Challenges we face in the acquisition and integration process include:

- integrating operations, services and personnel in a timely and efficient manner;

- diverting significant management attention and financial resources from our other operations and disrupting our ongoing business;
- unforeseen or undisclosed liabilities and integration costs;
- incurring liabilities from the acquired businesses for infringement of intellectual property rights or other claims for which we may not be successful in seeking indemnification;
- incurring debt, amortization expenses related to intangible assets, large and immediate write-offs, assuming unforeseen or undisclosed liabilities, or issuing common stock that would dilute our existing stockholders' ownership;
- generating sufficient revenues and net income to offset acquisition costs;
- potential loss of, or harm to, employee or client relationships;
- properly structuring our acquisition consideration and any related post-acquisition earn-outs and successfully monitoring any earn-out calculations and payments;
- failing to realize the potential cost savings or other financial benefits and/or the strategic benefits of the acquisition;
- retaining key senior management and key sales and marketing and research and development personnel, particularly those of the acquired operations;
- potential incompatibility of solutions, services and technology or corporate cultures;
- consolidating and rationalizing corporate, information technology and administrative infrastructures;
- integrating and documenting processes and controls;
- entry into unfamiliar markets; and
- increased complexity from potentially operating additional geographically dispersed sites, particularly if we acquire a company or business with facilities or operations outside of the countries in which we currently have operations.

In addition, the primary value of many potential acquisition targets in the IT services industry lies in their skilled IT professionals and established client relationships. Transitioning these types of assets to our business can be particularly difficult due to different corporate cultures and values, geographic distance and other intangible factors. For example, some newly acquired employees may decide not to work with us or to leave shortly after their move to our company and some acquired clients may decide to discontinue their commercial relationships with us. These challenges could disrupt our ongoing business, distract our management and employees and increase our expenses, including causing us to incur significant one-time expenses and write-offs, and make it more difficult and complex for our management to effectively manage our operations. If we are not able to successfully integrate an acquired entity and its operations and to realize the benefits envisioned for such acquisition, our overall growth and profitability plans may be adversely affected.

International hostilities, terrorist activities, other violence or war, natural disasters, pandemics and infrastructure disruptions, could delay or reduce the number of new service orders we receive and impair our ability to service our clients.

Hostilities involving the United States and acts of terrorism, violence or war, natural disasters, global health risks or pandemics or the threat or perceived potential for these events could materially adversely affect our operations and our ability to provide services to our clients. We may be unable to protect our people, facilities and systems against any such occurrences. Such events may cause clients to delay their decisions on spending for IT services and give rise to sudden significant changes in regional and global economic conditions and cycles. These events also pose significant risks to our people and to physical facilities and operations around the world, whether the facilities are ours or those of our clients, which could materially adversely affect our financial results. By disrupting communications and travel, giving rise to travel restrictions, and increasing the difficulty of obtaining and retaining highly-skilled and qualified IT professionals, these events could make it difficult or impossible for us to deliver services to some or all of our clients. Travel restrictions could cause us to incur additional unexpected labor costs and expenses or could restrain our ability to retain the skilled IT professionals we need for our operations. In addition, any extended disruptions of electricity, other public utilities or network services at our facilities, as well as system failures at, or security breaches in, our facilities or systems, could also adversely affect our ability to serve our clients.

We may need additional capital, and a failure by us to raise additional capital on terms favorable to us, or at all, could limit our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges.

We believe that our current cash, cash flow from operations and revolving line of credit should be sufficient to meet our anticipated cash needs for at least the next 12 months. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain another credit facility.

The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of IT services companies;
- conditions of the United States and other capital markets in which we may seek to raise funds;
- our future results of operations and financial condition;
- government regulation of foreign investment in the CIS and CEE; and
- economic, political and other conditions in the CIS and CEE.

Existing stockholders have substantial control over us and could limit your ability to influence the outcome of key transactions, including a change of control.

As of March 1, 2013, to our knowledge, our greater than 5% stockholders, directors and executive officers and entities affiliated with them own approximately 50% of the outstanding shares of our common stock, which includes approximately 40% of the outstanding shares of our common stock owned by affiliates of Siguler Guff & Company. As a result, these stockholders, if acting together, would be able to influence or control matters requiring approval by our stockholders, including the election of directors, the approval of merger, consolidation or sale of all or substantially all of our assets and other significant business or corporate transactions. They may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. The concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

Companies doing business in emerging markets, such as CIS and CEE countries, are subject to significant economic risks.

CIS and CEE countries are generally considered to be emerging markets. Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including significant economic risks. The economies of CIS and CEE countries, like other emerging economies, are vulnerable to market downturns and economic slowdowns elsewhere in the world. The economies of Belarus, Russia, Ukraine, Hungary and other CIS and CEE countries where we operate have experienced periods of considerable instability and have been subject to abrupt downturns. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies such as in the CIS and CEE could dampen foreign investment in these markets and materially adversely affect their economies. In addition, a deterioration in macroeconomic conditions, such as the recent debt crisis in Europe, could require us to reassess the value of goodwill for potential impairment. This goodwill is subject to impairment tests on an ongoing basis. Weakening macroeconomic conditions in the countries in which we operate and/or a significant difference between the performance of an acquired company and the business case assumed at the time of acquisition could require us to write down the value of the goodwill or a portion of such value. These risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on CIS and CEE countries, including elements of the information provided in this annual report. Similar statistics may be obtainable from other non-official sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Economic instability in CIS or CEE countries where we operate and any future deterioration in the international economic situation could materially adversely affect our business, financial condition and results of operations.

Fluctuations in currency exchange rates could materially adversely affect our financial condition and results of operations.

We have significant international operations, and we earn our revenues and incur our expenses in multiple currencies. Doing business in different foreign currencies exposes us to foreign currency risks, including risks related to revenues and receivables, compensation of our personnel, purchases and capital expenditures. The majority of our revenues are in U.S. dollars, British pounds, Russian rubles and euros, and the majority of our expenses, particularly salaries of IT professionals, are denominated in U.S. dollars but payable in Belarusian rubles or in other local currencies at the exchange rate in effect at the time. To the extent that we increase our business and revenues which are denominated in Belarusian rubles, Ukrainian hryvnia, Hungarian forints or other local currencies, we will also increase our receivables denominated in those currencies and therefore also increase our exposure to fluctuations in their exchange rates against the U.S. dollar, our reporting currency. Similarly, any capital expenditures, such as for computer equipment, which are payable in the local currency of the countries in which we operate but are imported to such countries, and any deposits we hold in local currencies, can be materially affected by depreciation of the local currency against the U.S. dollar and the effect of such depreciation on the local economy. Certain foreign currency exposures, to some extent, are naturally offset on a consolidated basis. However, due to the increasing size of our international operations, fluctuations in foreign currency exchange rates could materially impact our results. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

The banking and financial systems in the CIS remain less developed than those in some more developed markets, and a banking crisis could place liquidity constraints on our business and materially adversely affect our business and financial condition.

Banking and other financial systems in the CIS are less developed and regulated than in some more developed markets, and legislation relating to banks and bank accounts is subject to varying interpretations and inconsistent application. Banks in the CIS generally do not meet the banking standards of more developed markets, and the transparency of the banking sector lags behind international standards. Furthermore, in Russia, Belarus and other CIS countries, bank deposits made by corporate entities generally are not insured. As a result, the banking sector remains subject to periodic instability. Another banking crisis, or the bankruptcy or insolvency of banks through which we receive or with which we hold funds, particularly in Belarus, may result in the loss of our deposits or adversely affect our ability to complete banking transactions in the CIS, which could materially adversely affect our business and financial condition.

The legal systems in CIS countries can create an uncertain environment for business activity, which could materially adversely affect our business and operations in the CIS.

The legal framework to support a market economy remains new and in flux in Belarus, Russia, Ukraine and other CIS countries and, as a result, these legal systems can be characterized by:

- inconsistencies between and among laws and governmental, ministerial and local regulations, orders, decisions, resolutions and other acts;
- gaps in the regulatory structure resulting from the delay in adoption or absence of implementing regulations;
- selective enforcement of laws or regulations, sometimes in ways that have been perceived as being motivated by political or financial considerations;
- limited judicial and administrative guidance on interpreting legislation;
- relatively limited experience of judges and courts in interpreting recent commercial legislation;
- a perceived lack of judicial and prosecutorial independence from political, social and commercial forces;
- inadequate court system resources;
- a high degree of discretion on the part of the judiciary and governmental authorities; and
- underdeveloped bankruptcy procedures that are subject to abuse.

In addition, as is true of civil law systems generally, judicial precedents generally have no binding effect on subsequent decisions. Not all legislation and court decisions in CIS countries are readily available to the public or organized in a manner that facilitates understanding. Enforcement of court orders can in practice be very difficult. All of these factors make judicial decisions difficult to predict and effective redress uncertain. Additionally, court claims and governmental prosecutions may be used in furtherance of what some perceive to be political aims.

The untested nature of much of recent legislation in the countries in which we operate and the rapid evolution of their legal systems may result in ambiguities, inconsistencies and anomalies in the application and interpretation of laws and regulations. Any of these factors may affect our ability to enforce our rights under our contracts or to defend ourselves against claims by others, or result in our being subject to unpredictable requirements, and could materially adversely affect our business and operations in the CIS.

These uncertainties also extend to property rights. For example, during the transformation of Russia, Belarus, Ukraine and other CIS countries from centrally planned economies to market economies, legislation has generally been enacted in each of these countries to protect private property against uncompensated expropriation and nationalization. However, there is a risk that due to the lack of experience in enforcing these provisions and due to political factors, these protections would not be enforced in the event of an attempted expropriation or nationalization. Expropriation or nationalization of any of our entities, their assets or portions thereof, potentially without adequate compensation, could materially adversely affect our business, financial condition and results of operations.

Our CIS subsidiaries can be forced into liquidation on the basis of formal noncompliance with certain legal requirements.

We operate in CIS countries primarily through locally organized subsidiaries. Certain provisions of Russian law and the laws of other CIS countries may allow a court to order liquidation of a locally organized legal entity on the basis of its formal noncompliance with certain requirements during formation, reorganization or during its operations.

For example, in Russian corporate law, if the net assets of a Russian joint stock company calculated on the basis of Russian accounting standards are lower than its charter capital as at the end of its third or any subsequent financial year, the company must either decrease its charter capital or liquidate. If the company fails to comply with these requirements, governmental or local

authorities can seek the involuntary liquidation of such company in court, and the company's creditors will have the right to accelerate their claims or demand early performance of the company's obligations as well as demand compensation of any damages.

Similarly, there have also been cases in CIS countries in which formal deficiencies in the establishment process of a legal entity or noncompliance with provisions of law have been used by courts as a basis for liquidation of a legal entity. Weaknesses in the legal systems of CIS countries create an uncertain legal environment, which makes the decisions of a court or a governmental authority difficult, if not impossible, to predict. If involuntary liquidation of any of our subsidiaries were to occur, such liquidation could materially adversely affect our financial condition and results of operations.

Any U.S. or other foreign judgments that may be obtained against us may be difficult to enforce in Belarus, Russia, Ukraine and other CIS countries.

Although we are a Delaware corporation, subject to suit in the United States and other courts, many of our assets are located in Belarus, Russia, Ukraine and other CIS countries and one of our directors and his assets are located outside the United States. Although arbitration awards are generally enforceable in CIS countries, judgments obtained in the United States or in other foreign courts, including those with respect to U.S. federal securities law claims, may not be enforceable in many CIS countries, including Belarus, Russia and Ukraine. There is no mutual recognition treaty between the United States and Belarus, Russia or Ukraine. Therefore, it may be difficult to enforce any U.S. or other foreign court judgment obtained against any of our operating subsidiaries in CIS countries.

Our stock price is volatile.

Our common stock has at times experienced substantial price volatility as a result of variations between our actual and anticipated financial results, announcements by us and our competitors, projections or speculation about our business or that of our competitors by the media or investment analysts or uncertainty about current global economic conditions. The stock market, as a whole, also has experienced extreme price and volume fluctuations that have affected the market price of many technology companies in ways that may have been unrelated to these companies' operating performance. Furthermore, we believe our stock price should reflect future growth and profitability expectations and, if we fail to meet these expectations, our stock price may significantly decline.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expense and affect our operations.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, SEC regulations and New York Stock Exchange, or NYSE, rules, are creating uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and corporate governance practices. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

Item 1B. *Unresolved Staff Comments*

Not applicable.

Item 2. ***Properties***

We are incorporated in Delaware with headquarters in Newtown, PA, with multiple delivery centers located in Belarus, Ukraine, Russia, Hungary, Kazakhstan and Poland, and client management locations in the United States, Canada, the United Kingdom, Germany, Sweden, Switzerland, Russia and Kazakhstan.

The table below sets forth our principal properties:

Location	Square Meters Leased	Square Meters Owned	Total Square Meters
Delivery Centers and Client Management Locations:			
Belarus	24,104	7,655	31,759
Ukraine	22,007	—	22,007
Russia	12,761	—	12,761
Hungary	8,150	—	8,150
Kazakhstan	2,671	—	2,671
United States	2,398	—	2,398
Switzerland	379	—	379
Sweden	220	—	220
United Kingdom	126	—	126
Poland	86	—	86
Germany	—	—	—
Canada	810	—	810
Total	73,712	7,655	81,367
Executive Office:			
Newtown, PA, United States	932	—	932

Our facilities are used interchangeably amongst all of our segments. We believe that our existing facilities are adequate to meet our current requirements, and that suitable additional or substitute space will be available, if necessary.

Item 3. ***Legal Proceedings***

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we are not currently a party to any material legal proceeding. In addition, we are not aware of any material legal or governmental proceedings against us, or contemplated to be brought against us.

Item 4. ***Mine Safety Disclosures***

Not applicable.

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PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Information

Our common stock is traded on the New York Stock Exchange, or the NYSE, under the symbol "EPAM."

Our shares have been publicly traded since February 8, 2012. The following table shows the per share range of high and low sales prices for shares of our common stock, as listed for quotation on the NYSE, and the quarterly cash dividends paid per share for the quarterly periods indicated.

Quarter Ended	High	Low
December 31, 2012	$20.99	$17.32
September 30, 2012	$19.64	$13.94
June 30, 2012	$23.62	$14.72
March 31, 2012	$21.25	$13.25

As of March 1, 2013, we had approximately 45 stockholders of record of our common stock. The number of record holders does not include holders of shares in "street names" or persons, partnerships, associations, corporations or other entities identified in security position listings maintained by depositories.

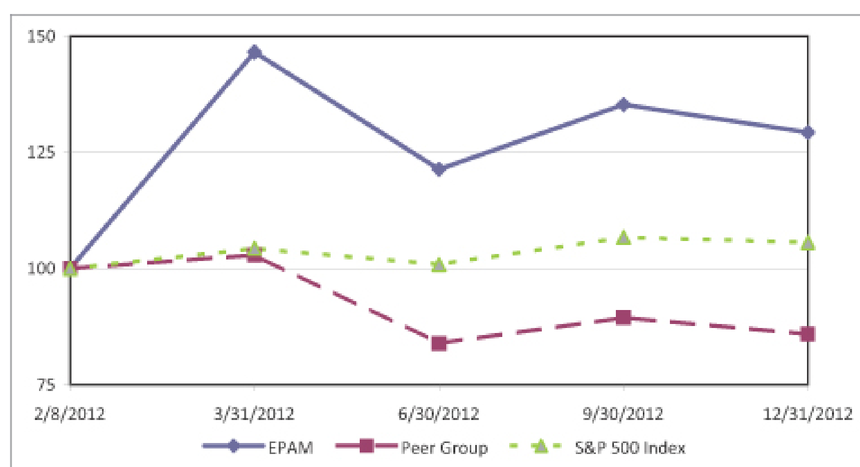
Dividend Policy

We have not declared or paid any cash dividends on our common stock and currently do not anticipate paying any cash dividends in the foreseeable future. Instead, we intend to retain all available funds and any future earnings for use in the operation and expansion of our business. Any future determination relating to dividend policy will be made at the discretion of our board of directors and will depend on our future earnings, capital requirements, financial condition, future prospects, applicable Delaware law, which provides that dividends are only payable out of surplus or current net profits, and other factors that our board of directors deems relevant. In addition, our credit facility restricts our ability to pay dividends.

Performance Graph

The following graph compares the cumulative total stockholder return on our common stock with the cumulative total return on the S&P 500 Index and a Peer Group Index (capitalization weighted) for the period beginning February 8, 2012, which is the date of our IPO, and ending on the last day of our last completed fiscal year. The stock performance shown on the graph below is not indicative of future price performance.

COMPARISON OF CUMULATIVE TOTAL RETURN(1)(2)
Among EPAM, the S&P 500 Index and a Peer Group Index(3) (Capitalization Weighted)



Company / Index	2/8/2012 (Base Period)	3/31/2012	6/30/2012	9/30/2012	12/31/2012
EPAM Systems, Inc.	100	146.57	121.36	135.29	129.29
S&P 500 Index	100	104.33	100.90	106.72	105.65
Peer Group Index	100	102.94	83.91	89.48	85.86

(1) Graph assumes $100 invested on February 8, 2012, in our common stock, the S&P 500 Index, and the Peer Group Index (capitalization weighted).
(2) Cumulative total return assumes reinvestment of dividends.
(3) We have constructed a Peer Group Index of other information technology consulting firms consisting of Virtusa Corporation (NASDAQ:VRTU), Cognizant Technology Solutions Corp. (NASDAQ:CTSH), Infosys Ltd ADR (NYSE:INFY), Sapient Corporation (NASDAQ:SAPE), Syntel, Inc. (NASDAQ:SYNT) and Wipro Ltd. (ADR) (NYSE:WIT).

Equity Compensation Plan Information

The following table sets forth securities authorized for issuance under our 2012 Long-Term Incentive Plan, 2006 Stock Option Plan, individual compensation arrangements and any other compensation plans as of December 31, 2012.

Plan	Number of securities to be issued upon exercise of outstanding	Weighted average exercise price of outstanding options,	Number of securities remaining available for future issuance

	options, warrants and rights	warrants and rights	under equity compensation plans (excluding securities reflected in column (a))
2012 Long-Term Incentive Plan approved by shareholders (1)	1,380,315	16.79	7,866,485
2006 Stock Option Plan approved by shareholders (2)	4,916,394	4.91	859,808
Total	6,296,709	7.51	8,726,293

(1) On January 11, 2012, our Board of Directors approved the 2012 Long-Term Incentive Plan ("2012 Plan"), which will be used to issue equity grants to employees. The Board authorized 9,246,800 shares of common stock to be reserved for issuance under the plan. This is in addition to 733,808 shares that remained available for issuance under the 2006 Plan as of January 11, 2012 and which are available for issuance under the 2012 Plan. In addition, up to 4,916,394 shares that are subject to outstanding awards as of December 31, 2012, under the 2006 Plan and that expire or terminate for any reason prior to exercise or that would otherwise return to the 2006 Plan's share reserve will be available for awards to be granted under the 2012 Plan.

(2) Effective May 31, 2006, our Board of Directors adopted the 2006 Stock Option Plan (the "2006 Plan"). The 2006 Plan permitted the granting of options to directors, employees, and certain independent contractors. The Compensation Committee of the Board of Directors generally had the authority to select individuals who are to receive options and to specify the terms and conditions of each option so granted, including the number of shares covered by the option, the exercise price, vesting provisions, and the overall option term. In January 2012, the 2006 Plan was discontinued; however, a total of 859,808 shares remain available for issuance under the 2012 Plan as of December 31, 2012. All of the options issued pursuant to the 2006 Plan expire ten years from the date of grant.

Unregistered Sales of Securities

On December 18, 2012, we issued an aggregate of 326,346 shares of our common stock as a partial consideration to the Empathy Lab sellers in connection with the acquisition of substantially all of the assets of Empathy Lab, LLC. No underwriter was involved in the Empathy Lab acquisition and no underwriting commissions were paid. This transaction was exempt from the registration requirements pursuant to the provisions of Section 4(2) of the Securities Act of 1933, as amended.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

There were no purchases of equity securities by the issuer and affiliated purchasers during the quarterly period ended December 31, 2012.

Item 6. *Selected Financial Data*

We have derived the selected consolidated statements of income data for the years ended December 31, 2012, 2011 and 2010 and selected consolidated balance sheet data as of December 31, 2012 and 2011 from our audited consolidated financial statements and related notes included in this annual report. We have derived the selected consolidated statements of income data for the years ended December 31, 2009 and 2008 and the selected consolidated balance sheet data as of December 31, 2010, 2009 and 2008 from our audited consolidated financial statements not included in this annual report. Our historical results are not necessarily indicative of the results to be expected for any future period. The following selected financial data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and related notes included elsewhere in this annual report.

	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands, except per share data)				
Consolidated Statements of Income Data:					
Revenues	$433,799	$334,528	$221,824	$149,939	$160,632
Operating expenses:					
Cost of revenues (exclusive of depreciation and amortization)	270,361	205,336	132,528	88,027	91,205
Selling, general and administrative expenses	85,868	64,930	47,635	39,248	53,913
Depreciation and amortization expense	10,882	7,538	6,242	5,618	4,889
Goodwill impairment loss	—	1,697	—	—	—
Other operating expenses, net	682	19	2,629	1,064	400
Income from operations	$ 66,006	$ 55,008	$ 32,790	$ 15,982	$ 10,225
Interest and other income, net	1,941	1,422	486	42	1,345
Foreign exchange gain (loss)	(2,084)	(3,638)	(2,181)	(1,617)	(3,819)
Income before provision for income taxes	$ 65,863	$ 52,792	$ 31,095	$ 14,407	$ 7,751
Provision for income taxes	11,379	8,439	2,787	879	3,701
Net income	$ 54,484	$ 44,353	$ 28,308	$ 13,528	$ 4,050
Net income per share of common stock(1):					
Basic (common)	$ 1.27	$ 0.69	$ 0.84	$ 0.23	$ 0.00
Basic (puttable common)	$ —	$ 1.42	$ 0.84	$ 0.23	$ 0.00
Diluted (common)	$ 1.17	$ 0.63	$ 0.79	$ 0.22	$ 0.00
Diluted (puttable common)	$ —	$ 0.77	$ 0.79	$ 0.22	$ 0.00
Shares used in calculation of net income per share of common stock:					
Basic (common)	40,190	17,094	17,056	16,719	16,050
Basic (puttable common)	—	18	141	153	114

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	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands, except per share data)				
Diluted (common)	43,821	20,473	19,314	18,474	17,980
Diluted (puttable common)	—	18	141	153	114

(1) In connection with the completion of our initial public offering, we effected an 8 for 1 common stock split as of January 19, 2012. All historical common stock and per share information has been changed to reflect the common stock split.

	As of December 31,				
	2012	2011	2010	2009	2008
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 118,112	$ 88,796	$ 54,004	$ 52,927	$ 30,658
Accounts receivable, net	78,906	59,472	41,488	27,450	28,224
Unbilled revenues, net	33,414	24,475	23,883	13,952	9,777
Property and equipment, net	53,135	35,482	25,338	23,053	19,136
Total assets	350,814	235,613	170,858	135,407	106,924
Accrued expenses and other liabilities	19,814	24,782	15,031	4,928	7,103
Deferred revenue	7,632	6,949	5,151	4,417	990
Revolving line of credit	—	—	—	7,000	—
Total liabilities	64,534	54,614	35,900	30,196	18,793
Preferred stock; Series A-1 convertible redeemable preferred stock and Series A-2 convertible redeemable preferred stock	—	85,940	68,377	87,413	82,990
Total stockholders' equity	$286,280	$ 95,059	$ 66,249	$ 16,534	$ 4,098

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

You should read the following discussion and analysis of our financial condition and results of operations together with our audited consolidated financial statements and the related notes included elsewhere in this annual report. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed in the sections entitled "Special Note Regarding Forward-Looking Statements" and "Item 7A. Risk Factors." We assume no obligation to update any of these forward-looking statements. Please note that we effected an 8 for 1 common stock split on January 19, 2012, and all historical common stock and per share information has been changed to reflect the common stock split.

Executive Summary

We are a leading global IT services provider focused on complex software product development services, software engineering and vertically-oriented custom development solutions. Since our inception in 1993, we have been serving independent software vendors, or ISVs, and technology companies. The foundation we have built serving ISVs and technology companies has enabled us to differentiate ourselves in the market for software engineering skills and technology capabilities. Our work with these clients exposes us to their customers' challenges across a variety of industry "verticals." This has enabled us to develop vertical-specific domain expertise and grow our business in multiple industry verticals, including Banking and Financial Services, Business Information and Media, and Travel and Consumer.

We have client management locations in the United States, Canada, the United Kingdom, Germany, Sweden, Russia, Switzerland and Kazakhstan. Our clients primarily consist of Forbes Global 2000 corporations located in North America, Europe and the CIS. Our delivery centers in Belarus, Ukraine, Russia, Hungary, Kazakhstan and Poland are strategically located in centers of software engineering talent and educational excellence across Central and Eastern Europe ("CEE") or the Commonwealth of Independent States (the "CIS"). The majority of our employees are located in these delivery centers with compensation and benefits related to this pool of resources being the primary component of our operating expenses. Additionally, our global delivery model and centralized support functions, combined with the benefits of scale from the shared use of fixed-cost resources, such as computers and office space, enhance our productivity levels and enable us to better manage efficiency of our global operations by maintaining adequate resource utilization levels and implementing company-wide cost-management programs. As a result, we have managed to create a relatively homogeneous delivery base whereby our applications, tools, methodologies and infrastructure allow us to seamlessly deliver services and solutions from our delivery centers to global clients across all geographies, thereby further strengthening our relationships with them.

Our focus on delivering quality to our clients is reflected by an average of 91.9% and 82.0% of our revenues in 2012 coming from clients that had used our services for at least one and two years, respectively.

Recent developments

On February 13, 2012, we completed our initial public offering of 6,900,000 shares of our common stock, which included 900,000 shares of our common stock sold by us pursuant to an over-allotment option granted to the underwriters, sold at a price to the public of $12.00 per share. Of the 6,900,000 shares of common stock sold, we issued and sold 2,900,000 shares of common stock and our selling stockholders sold 4,000,000 shares of common stock, resulting in gross proceeds to us of $34.8 million, and $29.0 million in net proceeds to us after deducting underwriting discounts and commissions of $2.4 million and offering expenses of $3.4 million. We did not receive any proceeds from the sale of common stock by the selling stockholders.

On May 25, 2012 we completed the acquisition of Thoughtcorp, a Canadian company with a 17-year history of successfully delivering high-value IT solutions and complex software applications to some of Canada's most prominent companies within the telecommunications, financial and retail industries. With the Thoughtcorp acquisition we have strengthened our Banking and Financial Services and Travel and Consumer verticals, and have gained significant telecommunications expertise with a highly skilled and experienced employee base. The acquisition also expands our North American geographic footprint and complements our global delivery capabilities with expertise in areas important for us, such as Agile Development, Enterprise Mobility and Business Intelligence.

On December 18, 2012 we completed the acquisition of Empathy Lab, LLC, a U.S.-based digital strategy and multi-channel experience design firm. The acquisition is intended to enhance our strong capabilities in global delivery of software engineering services with Empathy Lab's proven expertise in two important growth areas - development and execution of enterprise-wide eCommerce initiatives and transformation of Media consumption and distribution channels. In addition to strengthening our Travel and Consumer and Business Information and Media verticals, Empathy Lab brings significant expertise in digital marketing strategy consulting and program management.

We expect to continue to seek opportunities to deepen our industry expertise and technology capabilities necessary to deliver complex mission-critical solutions as part of our ongoing growth strategy.

Change in Presentation of Certain Financial Information

As part of our discussion and analysis, we analyze revenues by vertical. The composition and organization of our verticals is fluid and the structure changes regularly in response to overall growth, new business acquisitions and changes in reporting structure. Prior to the third quarter of 2012, certain individually insignificant customers pertaining to acquired operations were aggregated for the purposes of presenting revenue by vertical. Effective third quarter of 2012, we have individually reassigned these customers to corresponding verticals. We believe this change is preferable as it allows us to more effectively analyze our verticals by aligning presentation of existing and acquired customers using a standardized approach. These changes do not result in any adjustments to our previously issued financial statements and were applied retrospectively beginning on January 1, 2010 as presented in the tables below. Additionally, we have revised our disclosures to present Travel and Hospitality and Retail and Consumer verticals as a single Travel and Consumer vertical.

	Year Ended December 31, 2011			
	As Previously Reported		After Reclassification	
	(in thousands, except percentages)			
Vertical				
ISVs and Technology	$ 87,369	26.2%	$ 84,246	25.2%
Banking and Financial Services	76,419	22.8	76,645	22.9
Travel and Consumer	71,706	21.4	71,488	21.4
Business Information and Media	62,350	18.6	63,988	19.1
Other verticals	30,508	9.2	31,985	9.6
Reimbursable expenses and other revenues	6,176	1.8	6,176	1.8
Revenues	$334,528	100.0%	$334,528	100.0%

	Year Ended December 31, 2010			
	As Previously Reported		After Reclassification	
	(in thousands, except percentages)			
Vertical				
ISVs and Technology	$ 68,727	31.0%	$ 64,905	29.3%
Business Information and Media	45,749	20.6	36,135	16.3
Banking and Financial Services	42,835	19.3	43,019	19.4
Travel and Consumer	36,461	16.5	46,146	20.8
Other verticals	24,279	10.9	27,846	12.5
Reimbursable expenses and other revenues	3,773	1.7	3,773	1.7
Revenues	$221,824	100.0%	$221,824	100.0%

Summary of Results of Operations and Non-GAAP Financial Measures

The following tables present a summary of our results of operations, by amount and as a percentage of revenues, for the years ended December 31, 2012, 2011 and 2010:

	Year Ended December 31,					
	2012		2011		2010	
	(in thousands, except percent)					
Revenues	$433,799	100.0%	$334,528	100.0%	$221,824	100.0%
Income from operations	66,006	15.2%	55,008	16.4%	32,790	14.8%
Net income	$ 54,484	12.6%	$ 44,353	13.3%	$ 28,308	12.8%

The key drivers of our consolidated results in 2012 as compared to 2011 were as follows:

- Broad-based revenue growth from clients in most of our key verticals, and in particular within Banking and Financial Services, which increased revenues by $35.3 million, or 46.1%, ISV and Technology and Travel and Consumer with a $22.6 million, or 26.8%, and a $24.5 million, or 34.2%, growth in 2012 revenues as compared to 2011, respectively;

- Continued penetration of the European market where we experienced revenue growth of $48.1 million, or 45.0%, in 2012 compared to $48.5 million, or 82.8% in 2011;
- Strong revenue contribution from our top clients. Revenues attributable to our top ten clients as of December 31, 2012 increased by $43.3 million as compared to 2011 as we continued to leverage long-term relationships to generate repeat revenue and expand existing revenue streams;
- Completion of a strategic acquisitions of Thoughtcorp, Inc. (“Thoughtcorp”) in May, 2012 and Empathy Lab, LLC (“Empathy Lab”) in December, 2012, which contributed another $7.7 million in revenues;
- Decrease in our income from operations in 2012 as compared to 2011 by 1.2% as a percentage of revenues mainly due to an increase in incentive compensation our IT professionals combined with an increase in stock-based compensation of 0.7% over 2011 as a percentage of revenues.

The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

In our quarterly earnings press releases and conference calls, we discuss two key measures that are not calculated according to generally accepted accounting principles (“GAAP”). The first non-GAAP measure is income from operations, as reported on our consolidated and condensed statements of income and comprehensive income, excluding certain expenses and benefits, which we refer to as “non-GAAP income from operations”. The second measure calculates non-GAAP income from operations as a percentage of reported revenues, which we refer to as “non-GAAP operating margin”. We believe that these non-GAAP measures help illustrate underlying trends in our business, and we use these measures to establish budgets and operational goals (communicated internally and externally), manage our business, and evaluate our performance. We also believe these measures help investors compare our operating performance with our results in prior periods and compare our operating results with those of similar companies. We exclude certain expenses and benefits from non-GAAP income from operations that we believe are not reflective of these underlying business trends and are not useful measures in determining our operational performance and overall business strategy. Because our reported non-GAAP financial measures are not calculated according to GAAP, these measures are not comparable to GAAP and may not be comparable to similarly described non-GAAP measures reported by other companies within our industry. Consequently, our non-GAAP financial measures should not be evaluated in isolation from or supplant comparable GAAP measures, but, rather, should be considered together with our consolidated and condensed financial statements, which are prepared according to GAAP. The following table presents a reconciliation of income from operations as reported on our consolidated statements of income and comprehensive income to non-GAAP income from operations and non-GAAP operating margin for the years ended December 31, 2012 and 2011:

	Year Ended December 31,		
	2012	2011	2010
	(in thousands, except percent)		
GAAP Income from operations	$66,006	$55,008	$32,790
Stock-based compensation(1)	6,826	2,866	2,939
One-time charges	584	—	—
Goodwill impairment	—	1,697	—
Amortization of purchased intangible assets	1,024	779	999
M&A costs	500	527	109
Legal claims	—	—	2,608
Write-off and recovery	—	—	(1,686)
Non-GAAP Income from operations	74,940	60,877	37,759
GAAP Operating margin	15.2%	16.4%	14.8%
Effect of the adjustments detailed above	2.1	1.8	2.2
Non-GAAP Operating margin	17.3%	18.2%	17.0%

(1) Cost of revenue includes stock-based compensation expense of $2,809, $1,365 and $1,314 for the years ended December 31, 2012, 2011 and 2010, respectively. Selling, general and administrative expenses include stock-based compensation expense of $4,017, $1,501 and $1,625 for the years ended December 31, 2012, 2011 and 2010, respectively.

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Effects of Inflation

Economies in CIS countries such as Belarus, Russia and Ukraine have periodically experienced high rates of inflation. In particular, over a three-year period ending December 31, 2012, significant inflation has been reported in Belarus. The National Statistical Committee of Belarus estimated that inflation was approximately 109.7% in 2012, 153.2% in 2011 and 9.9% in 2010. In 2012, 2011 and 2010 we had 0.5%, 0.8% and 1.2% of our revenues, respectively, denominated in Belarusian rubles.

The measures currently used by the Belarusian government to control this recent inflation include monetary policy and pricing instruments, including increasing interest rates and the use of anti-monopoly laws to prevent the increase in pricing of goods, as well as privatization and using foreign borrowings to replenish the budget and stabilize local currency. Inflation, government actions to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in Belarus. Belarus may experience high levels of inflation in the future. The Russian and Ukrainian governments have historically implemented similar measures as Belarus to fight inflation.

Periods of higher inflation may slow economic growth in those countries. Inflation also is likely to increase some of our costs and expenses, which we may not be able to pass on to our clients and, as a result, may reduce our profitability. Inflationary pressures could also affect our ability to access financial markets and lead to counter-inflationary measures that may harm our financial condition, results of operations or adversely affect the market price of our securities.

Results of Operations

The following table sets forth a summary of our consolidated results of operations by amount and as a percentage of our revenues for the periods indicated. This information should be read together with our audited consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,					
	2012		2011		2010	
	(in thousands, except percent)					
Revenues	**$433,799**	**100.0%**	**$334,528**	**100.0%**	**$221,824**	**100.0%**
Operating expenses:						
Cost of revenues (exclusive of depreciation and amortization)(1)	270,361	62.3	205,336	61.4	132,528	59.7
Selling, general and administrative expenses(2)	85,868	19.8	64,930	19.4	47,635	21.5
Depreciation and amortization expense	10,882	2.5	7,538	2.3	6,242	2.8
Goodwill impairment loss	—	0.0	1,697	0.5	—	—
Other operating expenses, net	682	0.2	19	0.0	2,629	1.2
Income from operations	**66,006**	**15.2%**	**55,008**	**16.4%**	**32,790**	**14.8%**
Interest and other income, net	1,941	0.5	1,422	0.4	486	0.3
Foreign exchange (loss)	(2,084)	-0.5	(3,638)	-1.1	(2,181)	-1.0
Income before provision for income taxes	**65,863**	**15.2%**	**52,792**	**15.7%**	**31,095**	**14.1%**
Provision for income taxes	11,379	2.6	8,439	2.5	2,787	1.3
Net income	**$ 54,484**	**12.6%**	**$ 44,353**	**13.2%**	**$ 28,308**	**12.8%**

(1) Includes stock-based compensation expense of $2,809, $1,365 and $1,314 for the years ended December 31, 2012, 2011 and 2010, respectively.
(2) Includes stock-based compensation expense of $4,017, $1,501 and $1,625 for the years ended December 31, 2011, 2011 and 2010, respectively.

Revenues

Revenues are derived primarily from providing software development services to our clients. We discuss below the breakdown of our revenues by service offering, vertical, client location, contract type and client concentration. Revenues consist of IT services revenues and reimbursable expenses and other revenues, which primarily include travel and entertainment costs that are chargeable to clients.

Revenues by Service Offering

Software development includes software product development, custom application development services and enterprise application platforms services, and has historically represented, and we expect to continue to represent, the substantial majority of our business. The following table sets forth revenues by service offering by amount and as a percentage of our revenues for the periods indicated:

	Year Ended December 31,					
	2012		2011		2010	
	(in thousands, except percent)					
Service Offering						
Software development	$290,139	66.8%	$219,211	65.5%	$149,658	67.5%
Application testing services	85,849	19.8	67,840	20.3	44,459	20.0
Application maintenance and support	36,056	8.3	29,287	8.8	19,262	8.7
Infrastructure services	12,424	2.9	8,488	2.5	2,823	1.3
Licensing	2,914	0.7	3,526	1.1	1,849	0.8
Reimbursable expenses and other revenues	6,417	1.5	6,176	1.8	3,773	1.7
Revenues	$433,799	100.0%	$334,528	100.0%	$221,824	100.0%

Revenues by Vertical

The foundation we have built with ISVs and technology companies has enabled us to leverage our strong domain knowledge and industry-specific knowledge capabilities to become a premier IT services provider to a range of additional verticals such as Banking and Financial Services, Business Information and Media, and Travel and Consumer. Additionally, we have substantial expertise in other industries such as Oil and Gas, Telecommunications, Healthcare and several others, which are currently reported in aggregate under Other verticals. The following table sets forth revenues by vertical by amount and as a percentage of our revenues for the periods indicated:

	Year Ended December 31,					
	2012		2011		2010	
	(in thousands, except percent)					
Vertical						
Banking and Financial Services	$111,941	25.8%	$ 76,645	22.9%	$ 43,019	19.4%
ISVs and Technology	106,852	24.6	84,246	25.2	64,905	29.3
Travel and Consumer	95,965	22.1	71,488	21.4	36,135	16.3
Business Information and Media	62,398	14.4	63,988	19.1	46,146	20.8
Other verticals	50,226	11.6	31,985	9.6	27,846	12.5
Reimbursable expenses and other revenues	6,417	1.5	6,176	1.8	3,773	1.7
Revenues	$433,799	100.0%	$334,528	100.0%	$221,824	100.0%

Revenues by Client Location

Our revenues are sourced from three geographic markets: North America, Europe and the CIS. We present and discuss our revenues by client location based on the location of the specific client site that we serve, irrespective of the location of the headquarters of the client or the location of the delivery center where the work is performed. As such, revenues by client location differ from the segment information in our audited consolidated financial statements included elsewhere in this annual report, which is not solely based on the geographic location of the clients but rather is based on managerial responsibility for a particular client regardless of client location. The following table sets forth revenues by client location by amount and as a percentage of our revenues for the periods indicated:

	Year Ended December 31,					
	2012		2011		2010	
	(in thousands, except percent)					
Client Location						
North America	**$206,901**	**47.7%**	**$165,126**	**49.4%**	**$117,027**	**52.8%**
Europe	**155,168**	**35.8%**	**107,041**	**32.0%**	**58,567**	**26.4%**
United Kingdom	98,346	22.7	70,989	21.2	32,584	14.7
Other	56,822	13.1	36,052	10.8	25,983	11.7
CIS	**65,313**	**15.0%**	**56,185**	**16.8%**	**42,457**	**19.1%**
Russia	47,536	11.0	43,799	13.1	31,488	14.2
Other	17,777	4.0	12,386	3.7	10,969	4.9
Reimbursable expenses and other revenues	6,417	1.5	6,176	1.8	3,773	1.7

	Year Ended December 31,					
	2012		2011		2010	
	(in thousands, except percent)					
Revenues	$433,799	100.0%	$334,528	100.0%	$221,824	100.0%

Revenues by Contract Type

Our services are performed under both time-and-material and fixed-price arrangements. Our engagement models depend on the type of services provided to a client, the mix and locations of professionals involved and the business outcomes our clients are looking to achieve. Historically, the majority of our revenues have been generated under time-and-material contracts. Under time-and-material contracts, we are compensated for actual time incurred by our IT professionals at negotiated hourly, daily or monthly rates. Fixed-price contracts require us to perform services throughout the contractual period and we are paid in installments on pre-agreed intervals. We expect time-and-material arrangements to continue to comprise the majority of our revenues in the future.

The following table sets forth revenues by contract type by amount and as a percentage of our revenues for the periods indicated:

	Year Ended December 31,					
	2012		2011		2010	
	(in thousands, except percent)					
Contract Type						
Time-and-material	$364,853	84.1%	$287,965	86.1%	$188,961	85.2%
Fixed-price	59,615	13.7	36,861	11.0	27,241	12.3
Licensing	2,914	0.7	3,526	1.1	1,849	0.8
Reimbursable expenses and other revenues	6,417	1.5	6,176	1.8	3,773	1.7
Revenues	$433,799	100.0%	$334,528	100.0%	$221,824	100.0%

Revenues by Client Concentration

We have grown our revenues from our clients by continually expanding the scope and size of our engagements, and we have grown our key client base through internal business development efforts and several strategic acquisitions.

Our focus on delivering quality to our clients is reflected by an average of 91.9% and 82.0% of our revenues in 2012 coming from clients that had used our services for at least one and two years, respectively. In addition, we have significantly grown the size of existing accounts. The number of clients that accounted for over $5.0 million in annual revenues increased to 16 in 2012 from 10 in 2010, and the number of clients that generated at least $0.5 million in revenues increased to 114 in 2012 from 72 in 2010.

The following table sets forth revenues contributed by our top five and top ten clients by amount and as a percentage of our revenues for the periods indicated:

	Year Ended December 31,					
	2012		2011		2010	
	(in thousands, except percent)					
Top five clients	$134,484	31.0%	$107,171	32.0%	$ 65,908	29.7%
Top ten clients	192,426	44.4	149,094	44.6	94,529	42.6

During 2011 and 2010, one of our largest clients, Thomson Reuters, accounted for over 10% of our revenues; however, there were no customers accounting for over 10% of our revenues in 2012. The volume of work we perform for specific clients is likely to vary from year to year, as we are typically not any client's exclusive external IT services provider, and a major client in one year may not contribute the same amount or percentage of our revenues in any subsequent year.

Operating Expenses

Cost of Revenues (Exclusive of Depreciation and Amortization)

The principal components of our cost of revenues (exclusive of depreciation and amortization) are salaries, employee benefits and stock compensation expense, travel costs and subcontractor fees. Salaries and other compensation expenses of our IT professionals are allocated to cost of revenues regardless of whether they are actually performing services during a given period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses represent expenses associated with promoting and selling our services and include such items as senior management, administrative personnel and sales and marketing personnel salaries, stock compensation expense and related fringe benefits, legal and audit expenses, commissions, insurance, operating lease expenses, travel costs and the cost of advertising and other promotional activities. In addition, we pay a membership fee of 1% of revenues collected in Belarus to the administrative organization of the Belarus Hi-Tech Park.

Our selling, general and administrative expenses have increased primarily as a result of our expanding operations, acquisitions, and the hiring of a number of senior managers to support our growth. We expect our selling, general and administrative expenses to continue to increase in absolute terms as our business expands but will generally remain steady or slightly decrease as a percentage of our revenues.

Provision for Income Taxes

Determining the consolidated provision for income tax expense, deferred income tax assets and liabilities and related valuation allowance, if any, involves judgment. As a global company, we are required to calculate and provide for income taxes in each of the jurisdictions in which we operate. During 2012, 2011 and 2010, we had $56.6 million, $49.9 million and $30.3 million, respectively, in income before provision for income taxes attributed to our foreign jurisdictions. The statutory tax rate in our foreign jurisdictions is lower than the statutory U.S. tax rate. Additionally, we have secured special tax benefits in Belarus and Hungary as described below. As a result, our provision for income taxes is low in comparison to income before taxes due to the benefit received from increased income earned in low tax jurisdictions. The foreign tax rate differential represents this significant reduction. Changes in the geographic mix or estimated level of annual pre-tax income can also affect our overall effective income tax rate.

Our provision for income taxes also includes the impact of provisions established for uncertain income tax positions, as well as the related net interest. Tax exposures can involve complex issues and may require an extended period to resolve. Although we believe we have adequately reserved for our uncertain tax positions, we cannot assure you that the final tax outcome of these matters will not be different from our current estimates. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit, statute of limitation lapse or the refinement of an estimate. To the extent that the final tax outcome of these matters differs from the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made.

Our subsidiary in Belarus is a member of the Belarus Hi-Tech Park, in which member technology companies are 100% exempt from the current Belarusian income tax rate of 18%. The “On High-Technologies Park” Decree, which created the Belarus Hi-Tech Park, is in effect for a period of 15 years from July 1, 2006.

Our subsidiary in Hungary benefits from a tax credit of 10% of annual qualified salaries, taken over a four-year period, for up to 70% of the total tax due for that period. We have been able to take the full 70% credit for 2007 to 2012. The Hungarian tax authorities repealed the tax credit beginning with 2012. Credits earned in years prior to 2012, however, will be allowed through 2014. We anticipate full utilization up to the 70% limit until 2014, with full phase out in 2015.

Our domestic income before provision for income taxes differs from the North America segment income before provision for income taxes because segment operating profit is a management reporting measure, which does not take into account most corporate expenses, as well as the majority of non-operating costs and stock compensation expenses. We do not hold our segment managers accountable for these expenses, as they cannot influence these costs within the scope of their operating authority, nor do we believe it is practical to allocate these costs to specific segments as they are not directly attributable to any specific segment. All our segments are treated consistently with respect to such expenses when determining segment operating profit.

2012 Compared to 2011

Revenues

Revenues for the year ended December 31, 2012 increased by $99.3 million, or 29.7%, as compared to the year ended December 31, 2011. This increase is attributable to a $71.3 million increase from deeper penetration into existing customers, a $20.3 million increase from new customers and a $7.7 million increase from acquisitions.

Revenues in our North American and European geographies grew $41.8 million, or 25.3%, and $48.1 million, or 45.0%, respectively, primarily as a result of strong revenue growth in our core service verticals.

Growth in Banking and Financial Services was the driving force behind our revenue growth in Europe and accounted for 63.8% of total revenue growth in this geography. During 2012, Banking and Financial Services continued to outperform other verticals growing $35.3 million, or 46.1%, over the prior year results. Strong performance of this vertical can be attributed to an increased demand for our services and ongoing relationships with existing customers located in Europe. In particular, 30.3% of the consolidated revenue growth in 2012 can be attributed to increased business from certain of our largest Banking and Financial Services customers located in the United Kingdom and Switzerland.

Growth in our North American geography in 2012 was primarily attributable to performance of our ISVs and Technology vertical, which grew $23.6 million, or 33.5%, in 2012 as compared to 2011, and, to a lesser extent, our 2012 acquisitions, which added $7.7 million in revenues and approximately 59 new customers primarily within Business Information and Media, and Travel and Consumer verticals. These growth trends were in part offset by a decrease in revenues in Business Information and Media, which declined $2.4 million, or 4.3%, in 2012 as compared to 2011. This decrease was almost entirely attributable to a $9.8 million decrease in revenue from one of our largest customers, Thomson Reuters.

Revenues in the CIS region increased $9.1 million, or 16.2%, compared to the prior year which was almost entirely attributable to incremental revenues from the completion of a long-term fixed-priced project, as well as the addition of a number of new customers within our Travel and Consumer vertical during the fourth quarter of 2012.

Cost of Revenues (Exclusive of Depreciation and Amortization)

Cost of revenues (exclusive of depreciation and amortization) was $270.4 million during the year ended December 31, 2012, representing an increase of 31.7% over 2011. As a percentage of revenues, cost of revenues (exclusive of depreciation and amortization) increased by 0.9% during the same period. An increase in stock-based compensation expense contributed 0.2% as a percentage of revenues for the year ended December 31, 2012.

The remaining increase was mainly due to growth in compensation and benefits of our IT professionals during that period. The number of IT professionals increased from 6,968 at December 31, 2011 to 8,495 at December 31, 2012, which represented an average growth of 21.9% supporting a 30.2% increase in IT services revenue.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $85.9 million during the year ended December 31, 2012, representing an increase of 32.2% over 2011. The growth was primarily attributable to increased overhead costs and non-production staff required to support the growth in our business. Non-production headcount increased by 391, or 33.8%, from 1,157 at December 31, 2011 to 1,548 at December 31, 2012. Stock compensation expense increased by $2.5 million, or 0.5% as a percentage of revenues during the same period, of which $1.2 million was related to the acquisitions completed in 2012. Excluding stock compensation, selling, general and administrative expenses declined slightly as a percentage of revenues.

Depreciation and Amortization Expense

Depreciation and amortization expense was $10.9 million during the year ended December 31, 2012, representing an increase of 44.4% over 2011. The increase was primarily attributable to additional capital expenditures of IT equipment to support the growth in headcount, as well as amortization of intangible assets acquired through the purchase of Thoughtcorp in the second quarter of 2012. As a percentage of revenues, depreciation and amortization expense was 2.5% compared to 2.3% in 2011.

Other Operating Expenses, Net

During the year ended December 31, 2012, we reported $0.7 million of other expenses in our consolidated statements of income and comprehensive income. This was almost entirely attributable to the issuance of 53,336 shares of common stock to Instant Information Inc., a 2010 asset acquisition, upon the completion of our initial public offering in the first quarter of 2012.

Interest and Other Income, Net

Net interest and other income was $1.9 million during the year ended December 31, 2012, compared to $1.4 million in 2011. The increase was primarily attributable to the interest received on cash which increased 67.5% to an average balance of $111.6 million during 2012 from $66.6 million in 2011.

Foreign Exchange Loss

Foreign exchange loss incurred during the year ended December 31, 2012 was $2.1 million representing a decrease of foreign exchange loss by $1.6 million. Higher losses in 2011 were primarily driven by the movement of the Russian ruble, Belarusian ruble and the euro against the U.S. dollar in respective periods.

Provision for Income Taxes

Provision for income taxes was $11.4 million in 2012, increasing from $8.4 million in 2011. The increase was primarily attributable to significant growth in consolidated pre-tax income, an increase in our clients' need for onsite resources in the North American geography, which increased our consolidated effective tax rate, a relative shift in offshore services performed in Belarus, where we are currently entitled to a 100% exemption from Belarusian income tax, to Ukraine and, to a lesser extent, Russia, both of which have significantly higher tax rates. In 2012, our effective tax rate was 17.3 % as compared to our effective tax rate of 16.0% in 2011.

2011 Compared to 2010

Revenues

Revenues were $334.5 million in 2011, representing an increase of 50.8% from $221.8 million in 2010. The increase was primarily driven by strong performance across all of our key verticals combined with expansion of our service offerings which enabled us to cross-sell new services to our clients and meet the rapidly growing demand for complex product development solutions.

Similar to 2010, the North American geography continued to represent our biggest geography in 2011 with $165.1 million, or 49.4% of our consolidated revenues generated by customers located in this region. In year-on-year terms, the North American geography grew 41.1% from $117.0 million in 2010, which was primarily attributable to the growth in ISVs and Technology and Business Information and Media verticals. ISVs and Technologies grew $17.4 million, or 32.8%, to $70.6 million in revenues in 2011 as compared to 2010, and Business Information and Media grew $16.3 million, or 42.0% during the same period, of which $9.9 million, or 60.7% of the total growth in this vertical was attributable to the growth in revenues from one of our largest customers, Thomson Reuters.

Revenues from the European geography grew 82.8% to $107.0 million in 2011 from $58.6 million in 2010. This was mainly due to continued penetration of clients in Europe and in particular, our Banking and Financial Services customers located in the United Kingdom and Switzerland, which accounted for 46.9% of the overall growth in the region. Strong performance of the Banking and Financial Services vertical was also a primary reason for the revenue growth in Russia accounting for $9.4 million, or 76.3% of the total $12.3 million revenue growth in this geography in 2011, as compared to 2010. Overall, the Banking and Financial Services vertical continued to experience an increase in revenues and strong demand from existing clients, with revenues growing by $33.6 million, or 78.2%, to $76.6 million in 2011 as compared to $43.0 million in 2010.

Also, revenues from existing clients continued to increase in 2011 as compared to 2010 with $98.9 million of incremental revenues generated through expansion of our services with existing customers, and additional $11.7 million received from organic growth during that period. Revenues attributable to our top ten clients as of December 31, 2011 increased by 57.7% in 2011 as compared to December 31, 2010. This represented 48.4% of the overall increase in revenues in 2011.

Cost of Revenues (Exclusive of Depreciation and Amortization)

Cost of revenues (exclusive of depreciation and amortization) was $205.3 million in 2011, representing an increase of 54.9% from $132.5 million in 2010. The increase was primarily attributable to a net increase of 1,618 IT professionals from December 31, 2010 to December 31, 2011, to support the growth in demand for our services. As a percentage of revenues, cost of revenues (exclusive of depreciation and amortization) increased to 61.4% in 2011 from 59.7% in 2010.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $64.9 million in 2011, representing an increase of 36.3% from $47.6 million in 2010. The growth was primarily attributable to increased overhead costs and non-production staff required to support the growth in the business. In 2011, non-production staff headcount increased by 339, or 41.4%, from 818 at December 31, 2010, stock compensation expense decreased from $1.6 million to $1.5 million and facilities expenses increased by $2.9 million, or 32.3%, to $12.0 million as compared to 2010. As a percentage of revenues, selling, general and administrative expenses decreased to 19.4% in 2011 from 21.5% in 2010.

Depreciation and Amortization Expense

Depreciation and amortization expense was $7.5 million in 2011, representing an increase of 20.8% from $6.2 million in 2010. The increase was primarily attributable to additional capital expenditures in IT equipment to support the growth in headcount. As a percentage of revenues, depreciation and amortization expense decreased to 2.3% in 2011 from 2.8% in 2010.

Goodwill Impairment Loss

As a result of an operating loss in the Other reporting unit for the three months ended June 30, 2011, we performed a goodwill impairment test. In assessing impairment in accordance with Accounting Standards Codification, ("ASC") No. 350, "Intangibles-

Goodwill and Other," we determined that the fair value of the Other reporting unit, based on the total of the expected future discounted cash flows directly related to the reporting unit, was below the carrying value of the reporting unit. We completed the second step of the goodwill impairment test, resulting in an impairment charge of $1.7 million. In the fourth quarter of 2011, we completed the annual impairment testing of recorded goodwill and determined there was no additional impairment as of December 31, 2011.

Interest and Other Income, Net

Interest income was $1.3 million in 2011, representing an increase of 134.0% from $0.6 million in 2010. The increase was primarily driven by the interest paid on cash and cash equivalents which increased 64.4% from an average balance of $40.8 million during 2010 to $64.2 million during 2011.

Foreign Exchange Loss

Foreign exchange loss was $3.6 million in 2011, representing an increase of 66.8% from a $2.2 million loss in 2010. The increase was primary attributable to the movement of the Russian ruble, Belarusian ruble and the euro against the U.S. dollar.

Provision for Income Taxes

Provision for income taxes was $8.4 million in 2011, increasing from $2.8 million in 2010. The increase was primarily attributable to significant growth in consolidated pre-tax income, an increase in our clients' need for onsite resources in North America and the United Kingdom, which increased our consolidated effective tax rate, a relative shift in offshore services performed in Belarus, where we are currently entitled to a 100% exemption from Belarusian income tax, to Ukraine and, to a lesser extent, Russia, both of which have significantly higher tax rates. In 2011, our effective tax rate was 16.0% as compared to our effective tax rate of 9.0% in 2010.

Results by Business Segment

Our operations consist of four reportable segments: North America, Europe, Russia and Other. The segments represent components of EPAM for which separate financial information is available that is used on a regular basis by our chief executive officer, who is also our chief operating decision maker, in determining how to allocate resources and evaluate performance. We use globally integrated support organizations to realize economies of scale and efficient use of resources. As a result, a majority of our expenses is shared by all segments. These shared expenses include Delivery, Recruitment and Development, Sales and Marketing, and support functions such as IT, Finance, Legal, and Human Resources. Generally, shared expenses are allocated based on measurable drivers of expense, e.g., recorded hours or head count.

Segment operating profit is defined as income from operations before unallocated costs. Certain expenses, such as stock-based compensation, are not allocated to specific segments when management does not believe it is practical to allocate such costs to individual segments because they are not directly attributable to any specific segment. Accordingly, these expenses are separately disclosed as "unallocated" and adjusted only against our total income from operations.

Revenues from external clients and segment operating profit, before unallocated expenses, for the North America, Europe, Russia and Other reportable segments were as follows for the years ended December 31:

	2012	2011	2010
Total segment revenues:			
North America	$197,271	$151,707	$110,179
Europe	168,913	123,510	68,420
Russia	50,552	46,219	31,388
Other	16,986	12,851	11,522
Total segment revenues	$433,722	$334,287	$221,509
Segment operating profit:			
North America	$ 38,671	$ 33,744	$ 28,496
Europe	32,750	25,098	15,057
Russia	9,049	10,445	3,119
Other	6,985	2,416	1,414

	2012	2011	2010
Total segment operating profit	$87,455	$71,703	$48,086

2012 Compared to 2011

North America Segment

Our North America segment accounted for 45.5% of total segment revenues in both 2012 and 2011. North America revenues increased by $45.6 million, or 30.0%, from $151.7 million in 2011 to $197.3 million in 2012. The increase in revenues was primarily driven by continued expansion of existing client relationships as well as revenues contributed by new clients. Additionally, two acquisitions completed in 2012 contributed approximately $7.7 million, or 16.7%, to the overall segment growth during the period. Within the segment, revenue from our ISVs and Technologies and Travel and Consumer verticals increased by approximately $22.8 million and $10.8 million, respectively, as compared to 2011, representing 73.7% of the overall segment growth.

Segment operating profit increased by $4.9 million, or 14.6%, from $33.7 million in 2011 to $38.7 million in 2012. The increase in segment operating profit was attributable primarily to increased revenues, partially offset by an increase in compensation and benefit costs resulting primarily from additional headcount to support our revenue growth and continued demand for onsite resources.

Europe Segment

Our Europe segment accounted for 38.9% and 36.9% of total segment revenues in 2012 and 2011, respectively. Europe continues to be a rapidly growing segment in our portfolio, given our nearshore delivery capabilities, and our value proposition in delivering quality software engineering solutions and services is continuing to gain considerable traction with European-based clients. As a result, revenue increased $45.4 million, or 36.8%, from $123.5 million during 2011 to $168.9 million in 2012. Within the segment, growth was the strongest in our Banking and Financial Services and Travel and Consumer verticals, where revenue increased by approximately $30.2 million and $11.2 million, respectively, in 2012 as compared to 2011.

Segment operating profit increased by $7.7 million, or 30.5%, from $25.1 million during 2011 to $32.8 million during 2012. The increase in Europe segment operating profit was mainly attributable to increased revenues, partially offset by an increase in compensation and benefit costs primarily driven by additional headcount to support our revenue growth and continued demand for increase in onsite resources.

Russia Segment

Our Russia segment comprised 11.7% of total segment revenues in 2012, compared to 13.8% in 2011 with revenues increasing by $4.3 million, or 9.4%, from $46.2 million in 2011 to $50.6 million in 2012. Within the segment, revenue from Travel and Consumer and ISVs and Technologies verticals increased by $3.2 million and $0.8 million, respectively, representing 93.0% of the overall segment growth in 2012.

Segment operating profit decreased by $1.4 million, or 13.4%, from $10.4 million in 2011 to $9.0 million in 2012. The decrease in Russia's operating profit was attributable to a combination of factors, including higher compensation and benefits of our IT professionals in 2012, as compared to 2011, subcontractor costs incurred in connection with initial implementation work on a long-term project with one of Russia's leading consumer-electronic retail chains, and reduced utilization levels resulting from fluctuations in service volumes.

Other Segment

Revenues from Other segment comprised 3.9% of total segment revenues, compared to 3.8% in 2011 with the majority of revenues derived from clients located in Kazakhstan and Ukraine. Other segment revenues increased by $4.1 million, or 32.2%, from $12.9 million in 2011 to $17.0 million in 2012. The growth was primarily attributable to the successful completion and delivery of a large World Bank sponsored fixed fee project in Ukraine with $3.8 million of incremental revenues recognized in 2012.

Segment operating profit increased by $4.6 million, or 189.1%, from $2.4 million in 2011 to $7.0 million in 2012. The increase in segment operating profit was primarily attributable to the same project noted above.

2011 Compared to 2010

North America Segment

Our North America segment accounted for 45.5% and 49.7% of total segment revenues in 2011 and 2010, respectively. North America segment revenues increased by $41.5 million, or 37.7%, from $110.2 million in 2010 to $151.7 million in 2011. The increase in revenues was primarily driven by continued expansion of existing client relationships as well as revenues contributed by new clients. Within the segment, revenue from our ISVs and Technologies and Business Information and Media verticals increased by approximately $14.6 million and $16.6 million, respectively, as compared to 2010, representing 75.2% of the overall segment growth. One of our largest customer, Thomson Reuters, accounted for 23.1% of the overall segment growth during that period.

Segment operating profit increased by $5.2 million, or 18.4%, from $28.5 million in 2010 to $33.7 million in 2011. The increase in segment operating profit was attributable primarily to increased revenues, partially offset by an increase in compensation and benefit costs resulting primarily from additional headcount to support our revenue growth and continued demand for onsite resources.

Europe Segment

Our Europe segment accounted for 36.9% and 30.9% of total segment revenues in 2011 and 2010, respectively. Europe continues to be a rapidly growing segment in our portfolio, as the location of our delivery sites is in relatively close proximity to major European cities, and our value proposition in delivering quality software engineering solutions and services is continuing to gain considerable traction with European-based clients. As a result, revenue increased $55.1 million, or 80.5%, from $68.4 million during 2010 to $123.5 million in 2011. Within the segment, growth was the strongest in our Banking and Financial Services and Travel and Consumer verticals, where revenue increased by approximately $22.7 million and $29.5 million, respectively, in 2011 as compared to 2010.

Segment operating profit increased by $10.0 million, or 66.7%, from $15.1 million in 2010 to $25.1 million in 2011. The increase in Europe operating profit was mainly attributable to increased revenues, partially offset by an increase in compensation and benefit costs primarily driven by additional headcount to support our revenue growth and continued demand for increase in onsite resources.

Russia Segment

Our Russia segment comprised 13.8% of total segment revenues in 2011, compared to 14.2% in 2010 with revenues increasing by $14.8 million, or 47.3%, from $31.4 million in 2010 to $46.2 million in 2011. Within the segment, revenue from Banking and Financial Services vertical increased by $10.0 million representing 67.6% of the overall segment growth in 2011 mainly as a result of continued growth in revenues from certain of our largest clients in that region. In particular, revenues from these clients accounted for $5.1 million, or 34.5% of the overall segment growth.

Segment operating profit increased by $7.3 million, or 234.9%, from $3.1 million in 2010 to $10.4 million in 2011 primarily as a result of higher revenues in 2012, as compared to 2011, as well as continued efforts to improve our client portfolio in the region and increase profitability.

Other Segment

Revenues from Other segment comprised 3.8% of total segment revenues, compared to 5.2% in 2010 with the majority of revenues derived from clients located in Kazakhstan and Ukraine. Other segment revenues increased by $1.3 million, or 11.5%, from $11.5 million in 2010 to $12.9 million in 2011. The growth was primarily attributable to expansion of our services with one of our clients located in Kazakstan which accounted for 46.7% of the overall growth of the Other segment, as well as other clients within Travel and Consumer vertical.

Segment operating profit increased by $1.0 million, or 70.9%, from $1.4 million in 2010 to $2.4 million in 2011. The increase in segment operating profit was primarily attributable to growth in revenues during that period.

Liquidity and Capital Resources

Capital Resources

At December 31, 2012, our principal sources of liquidity were cash and cash equivalents totaling $118.1 million and $28.1 million of available borrowings under our revolving line of credit. At December 31, 2012, of our total $118.1 million of cash and cash equivalents, $94.8 million was held outside the United States, including $50.0 million held in U.S. dollar denominated accounts in Belarus, which accrued at an average interest rate of 4.4% during the year ended December 31, 2012.

We have a revolving line of credit with PNC Bank, National Association. Effective January 15, 2013, we entered into a new agreement with the Bank (2013 Credit Facility) which increased our borrowing capacity under the revolving line of credit from $30.0 million to $40.0 million and extended maturity of the new facility to January 15, 2015. Advances under the new line of credit accrue interest at an annual rate equal to the London Interbank Offer Rate, or LIBOR, plus 1.25%. The 2013 Credit Facility is secured by all of our domestic tangible and intangible assets, as well as by 100% of the stock of domestic subsidiaries and 65% of the stock of certain foreign subsidiaries of EPAM Systems, Inc. The line of credit also contains customary financial and reporting covenants and limitations. We are currently in compliance with all covenants contained in our revolving line of credit and believe that our revolving line of credit provides sufficient flexibility such that we will remain in compliance with its terms in the foreseeable future. At December 31, 2012, we had no borrowings outstanding under the then effective line of credit.

Cash and cash equivalents held at locations outside of the United States are for future operating expenses and we have no intention of repatriating those funds. We are not, however, restricted in repatriating those funds back to the United States, if necessary. If we decide to remit funds to the United States in the form of dividends, $93.3 million would be subject to foreign withholding taxes, of which $87.8 million would also be subject to U.S. corporate income tax. We believe that our available cash and cash equivalents held in the United States and cash flow to be generated from domestic operations will be adequate to satisfy our domestic liquidity needs in the foreseeable future. Our ability to expand and grow our business in accordance with current plans and to meet our long-term capital requirements will depend on many factors, including the rate, if any, at which our cash flows increase, our continued intent not to repatriate earnings from outside the United States and the availability of public and private debt and equity financing.

To the extent we pursue one or more significant strategic acquisitions; we may incur debt or sell additional equity to finance those acquisitions.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Year Ended December 31,		
	2012	2011	2010
	(in thousands)		
Consolidated Statements of Cash Flow Data:			
Net cash provided by operating activities	$ 48,499	$ 54,520	$ 20,473
Net cash used in investing activities	(59,627)	(17,408)	(10,826)
Net cash provided by/(used in) financing activities	38,847	(1,558)	(8,043)
Effect of exchange-rate changes on cash and cash equivalents	1,597	(762)	(527)
Net increase in cash and cash equivalents	$ 29,316	$ 34,792	$ 1,077
Cash and cash equivalents, beginning of period	88,796	54,004	52,927
Cash and cash equivalents, end of period	$118,112	$ 88,796	$ 54,004

Operating Activities

Net cash provided by operations decreased by $6.0 million to $48.5 million during the year ended December 31, 2012 from $54.5 million net cash provided by operations during the same period in 2011. The increase in net income of $11.0 million before accounting for non-cash items in 2012 was more than offset by a decrease in accrued compensation of $15.3 million primarily as a result of higher bonus payments relating to 2011 performance made in 2012 compared to such payments made in 2011.

Net cash provided by operations increased by $34.0 million to $54.5 million during 2011 from $20.5 million net cash provided by operations during 2010, primarily attributable to higher net income that increased by $17.7 million before accounting for non-cash items in 2011 as compared to 2010. Revenues increased by 50.8% in 2011 as compared to 2010, causing net trade and unbilled accounts receivable to increase $18.6 million, or 28.4%, from $65.4 million as of December 31, 2010 to $83.9 million as of December 31, 2011. Amounts due to employees, the majority of which represents payroll costs for the most recent period, increased

by $2.5 million, or 44.8%, from $5.7 million as of December 31, 2010 to $8.2 million as of December 31, 2011, driven by headcount growth.

Investing Activities

Net cash of $59.6 million was used in investing activities during the year ended December 31, 2012 as compared to $17.4 million of net cash used in investing activities during the same period in 2011. Capital expenditures decreased by $2.2 million in 2012, as compared to 2011, however, this decrease was more than offset by an increase of $12.2 million spent on construction of facilities in Belarus. Additionally, 2012 investing cash flows were impacted by a total of $33.0 million of net cash paid to acquire operations of Thoughtcorp and Empathy Lab. See Note 2 of our consolidated financial statements in Part IV, “Item 15. Exhibits, Financial Statement Schedules — Audited Consolidated Financial Statements,” for further information regarding these acquisitions.

Net cash of $17.4 million was used in investing activities during 2011 as compared to $10.8 million of net cash used in investing activities during 2010. During 2011, capital expenditures increased by 104.3% to $17.1 million primarily primarily due to IT equipment acquisitions to support our growth in headcount and $1.5 million spent on construction of a new building in Belarus.

Financing Activities

Net cash provided by financing activities during the year ended December 31, 2012 increased by $40.4 million as compared to $1.6 million of net cash outflow from financing activities in the same period in 2011. This was primarily due to net $30.6 million received in connection with the initial public offering of our common stock in the first quarter of 2012 compared to the $1.6 million cash outflow related to offering issuance costs in the same period in 2011. Additionally, year-to-date 2012 financing cash flows improved by $8.3 million compared to the same period in 2011 as a result of proceeds received by us from stock option exercises and associated tax benefits.

Net cash used in financing activities during 2011 decreased by $6.5 million to $1.6 million as compared to $8.0 million net cash used during 2010. This was primarily due to a decrease in the amount outstanding under our revolving line of credit of $7.0 million, partially offset by $1.6 million of public offering costs.

Contractual Obligations and Future Capital Requirements

Contractual Obligations

Set forth below is information concerning our fixed and determinable contractual obligations as of December 31, 2012.

	Total(1)	Less than 1 Year	1-3 Years	3-5 Years	More than 5 years
			(in thousands)		
Operating lease obligations	$26,514	$ 10,505	$10,103	$ 4,022	$ 1,884
Other long-term obligations(1)(2)	6,042	6,042	—	—	—
Employee housing program(3)	6,179	6,179	—	—	—
Total	$38,735	$ 22,726	$10,103	$ 4,022	$ 1,884

(1) On December 7, 2011, we entered into an agreement with IDEAB Project Eesti AS for approximately $17.2 million for the construction of a 14,071 square meter office building within the High Technologies Park in Minsk, Belarus. During the year ended December 31 2012, total expected construction cost increased to approximately $19.6 million. The building is expected to be operational in the first half of 2013. As of December 31, 2012, our total outstanding commitment was $5.3 million.

(2) In June 2012, we entered into an agreement for construction of 12 corporate apartments located within the High Technology Zone in Minsk, Belarus. During the third quarter of 2012, the agreement was amended and the number of apartments was increased to 26. As of December 31, 2012, the total construction cost for these apartments is estimated at $1.0 million. Our outstanding commitment at December 31, 2012 was approximately $0.7 million. The construction is expected to be completed in 2013. We intend to use the apartments for general business purposes.

(3) In the third quarter of 2012, our Board of Directors approved the Employee Housing Program (“the Housing Program”), which assists employees in purchasing housing in Belarus. We do not bear any market risk in connection with the Housing Program as the housing will be sold directly to employees by independent third parties. As part of the Housing Program, we will extend financing to employees up to an aggregate amount of $10 million. The loans will be issued in U.S. Dollars with a 5 year term and bear an interest rate of 7.5%, which is significantly below the market interest rate in Belarus. The Housing Program was designed to be a retention mechanism for our employees in Belarus and will be available to full-time employees who have been with EPAM for at least three years.

Future Capital Requirements

We believe that our existing cash and cash equivalents combined with our expected cash flow from operations will be sufficient to meet our projected operating and capital expenditure requirements for at least the next twelve months and that we possess the financial flexibility to execute our strategic objectives, including the ability to make acquisitions and strategic investments in the foreseeable future. Our ability to generate cash, however, is subject to our performance, general economic conditions, industry trends and other factors. To the extent that existing cash and cash equivalents and operating cash flow are insufficient to fund our future activities and requirements, we may need to raise additional funds through public or private equity or debt financing. If we issue equity securities in order to raise additional funds, substantial dilution to existing stockholders may occur. If we raise cash through the issuance of additional indebtedness, we may be subject to additional contractual restrictions on our business. There is no assurance that we would be able to raise additional funds on favorable terms or at all.

Off-Balance Sheet Commitments and Arrangements

We do not have any obligations under guarantee contracts or other contractual arrangements within the scope of FASB ASC paragraph 460-10-15-4 (Guarantees Topic) other than as disclosed in Note 17 of our consolidated financial statements in Part IV, "Item 15. Exhibits, Financial Statement Schedules — Audited Consolidated Financial Statements,"; nor do we have any investments in special purpose entities or undisclosed borrowings or debt. Accordingly, our results of operations, financial condition and cash flows are not subject to material off-balance sheet risks.

Critical Accounting Policies

We prepare our audited consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP), which require us to make judgments, estimates and assumptions that affect: (i) the reported amounts of assets and liabilities, (ii) disclosure of contingent assets and liabilities at the end of each reporting period and (iii) the reported amounts of revenues and expenses during each reporting period. We evaluate these estimates and assumptions based on historical experience, knowledge and assessment of current business and other conditions, and expectations regarding the future based on available information and reasonable assumptions, which together form a basis for making judgments about matters not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. When reviewing our audited consolidated financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. We consider the policies discussed below to be critical to an understanding of our audited consolidated financial statements as their application places significant demands on the judgment of our management.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the audited consolidated financial statements. We believe that the following critical accounting policies are the most sensitive and require more significant estimates and assumptions used in the preparation of our audited consolidated financial statements. You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our audited consolidated financial statements and other disclosures included in this annual report.

Revenue Recognition

We generate revenues primarily from software development services. We recognize revenues when realized or realizable and earned, which is when the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; the sales price is fixed or determinable; and collectability is reasonably assured. If there is an uncertainty about the project completion or receipt of payment for the consulting services, revenues are deferred until the uncertainty is sufficiently resolved. At the time revenues are recognized, we provide for client incentive programs and reduce revenues accordingly.

We defer amounts billed to our clients for revenues not yet earned. Such amounts are anticipated to be recorded as revenues as services are performed in subsequent periods. Unbilled revenues represent services provided which are billed subsequent to the period end in accordance with the contract terms. All such amounts are anticipated to be realized in subsequent periods.

Our services are performed under both time-and-material and fixed-price contracts arrangements. For revenues generated under time-and-material contracts, revenues are recognized as services are performed with the corresponding cost of providing those services reflected as cost of revenues when incurred. The majority of such revenues are billed on an hourly, daily or monthly basis whereby actual time is charged directly to the client.

We recognize revenues from fixed-price contracts based on the proportional performance method. In instances where final acceptance of the product, system or solution is specified by the client, revenues are deferred until all acceptance criteria have been met. In absence of a sufficient basis to measure progress towards completion, revenues are recognized upon receipt of final acceptance from the client. The complexity of the estimation process and factors relating to the assumptions, risks and uncertainties inherent with the application of the proportional performance method of accounting affects the amounts of revenues and related expenses reported in our audited consolidated financial statements. A number of internal and external factors can affect our estimates, including labor hours and specification and testing requirement changes. The cumulative impact of any revision in estimates is reflected in the financial reporting period in which the change in estimate becomes known. Our fixed price contracts are generally recognized over a period of twelve months or less.

We enter into multiple element arrangements with our clients under time-and-material and fixed-fee contracts. In October 2009, the FASB issued a new accounting standard which provides guidance for arrangements with multiple deliverables. We adopted this standard effective January 1, 2010 for all new or amended contracts, and it did not have a material effect on our financial condition or consolidated results of operations, or change our units of accounting and how we allocate the arrangement consideration to various units of accounting. These arrangements consist of development services and other service deliverables that qualify for separate units of accounting. These other services include maintenance and support services for our time-and-material contracts and separately priced warranties for our fixed-fee contracts. These deliverables qualify for multiple units of accounting and therefore arrangement consideration is allocated among the units of accounting based on their relative selling price. The relative selling price is based on the price charged for the deliverable when it is sold separately. For multiple element arrangements under time-and-material contracts, revenue is recognized as services are performed for each deliverable. For arrangements under fixed-fee contracts, revenue is recognized upon delivery of development services under the proportional performance method and on a straight-line basis over the warranty period. The warranty period is generally six months to two years.

We report gross reimbursable “out-of-pocket” expenses incurred as both revenues and cost of revenues in the consolidated statements of income.

Accounts Receivable

Accounts receivable are recorded at net realizable value. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our clients to make required payments. The allowance for doubtful accounts is determined by evaluating the relative creditworthiness of each client, historical collections experience and other information, including the aging of the receivables. Recoveries of losses from accounts receivable written off in prior years are presented within income from operations on our consolidated statements of income.

Goodwill and Other Intangible Assets

Goodwill is measured as the excess of the cost of an acquisition over the sum of the amounts assigned to tangible and intangible assets acquired less liabilities assumed. The determination of the fair value of the intangible assets acquired involves certain judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future and the appropriate weighted average cost of capital.

We do not amortize goodwill but perform a test for impairment annually, or when indications of potential impairment exist, utilizing a fair value approach at the reporting unit level. We determine fair value using the income approach, which estimates the fair value of our reporting units based on the future discounted cash flows. In testing for a potential impairment of goodwill, we estimate the fair value of our reporting units to which goodwill relates and determine the carrying value (book value) of the assets and liabilities related to those reporting units.

We amortize other intangible assets with determinable lives over their estimated useful lives. We record an impairment charge on these assets when we determine that their carrying value may not be recoverable. The carrying value is not recoverable if it exceeds the undiscounted future cash flows resulting from the use of the asset and its eventual disposition. When there exists one or more indicators of impairment, we measure any impairment of intangible assets based on the excess of the carrying value of the asset over its fair value. Its fair value is determined based on projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our business model. The estimates of future cash flows attributable to our other intangible assets require significant judgment based on our historical and anticipated results.

Income Taxes

The provision for income taxes includes federal, state, local and foreign taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences of temporary differences between the audited consolidated financial statement carrying amounts and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be reversed. Changes to enacted tax rates would result in either increases or decreases in the provision for income taxes in the period of changes. We evaluate the realizability of deferred tax assets and recognize a valuation allowance when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The realization of deferred tax assets is primarily dependent on future earnings. Any reduction in estimated forecasted results may require that we record valuation allowances against deferred tax assets. Once a valuation allowance has been established, it will be maintained until there is sufficient positive evidence to conclude that it is no longer more likely than not that the deferred tax assets will not be realized. A pattern of sustained profitability will generally be considered as sufficient positive evidence to reverse a valuation allowance. If the allowance is reversed in a future period, the income tax provision will be correspondingly reduced. Accordingly, the increase and decrease of valuation allowances could have a significant negative or positive impact on future earnings.

Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and our effective tax rate in the future. The American Taxpayer Relief Act of 2012 (the "Act") was signed into law on January 2, 2013. Because a change in tax law is accounted for in the period of enactment, certain provisions of the Act benefiting our 2012 U.S. federal taxes, including the Subpart F controlled foreign corporation look-through exception cannot be recognized in our 2012 financial results. The impact, if any, will be reflected in our 2013 financial results.

Accounting for Stock-Based Employee Compensation Plans

Stock-based compensation expense for awards of equity instruments to employees and non-employee directors is determined based on the grant-date fair value of the awards ultimately expected to vest. We recognize these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of four years.

We estimate forfeitures at the time of grant and revise our estimates, if necessary, in subsequent periods if actual forfeitures or vesting differ from those estimates. Such revisions could have a material effect on our operating results. The assumptions used in the valuation model are based on subjective future expectations combined with management judgment. If any of the assumptions used in the valuation model change significantly, stock-based compensation for future awards may differ materially compared to the awards previously granted.

Earnings per Share

Basic EPS is computed by dividing the net income applicable to common stockholders for the period by the weighted average number of shares of common stock outstanding during the same period. Our Series A-1 Preferred, Series A-2 Preferred, and Series A-3 Preferred Stock, that had been outstanding and convertible into common stock until February 13, 2012 (the date of our initial public offering), and our puttable common stock were considered participating securities since these securities had non-forfeitable rights to dividends or dividend equivalents during the contractual period and thus required the two-class method of computing EPS. When calculating diluted EPS, the numerator is computed by adding back the undistributed earnings allocated to the participating securities in arriving at the basic EPS and then reallocating such undistributed earnings among our common stock, participating securities and the potential common shares that result from the assumed exercise of all dilutive options. The denominator is increased to include the number of additional common shares that would have been outstanding had the options been issued.

No preferred stock was outstanding as of December 31, 2012, as a result of our initial public offering on February 13, 2012 when all convertible preferred stock was converted into common stock.

Recent Accounting Pronouncements

See Note 1 to the audited consolidated financial statements included in Part IV, "Item 15. Exhibits, Financial Statement Schedules — Audited Consolidated Financial Statements," regarding the impact of certain recent accounting pronouncements on our audited consolidated financial statements.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

We are exposed to certain market risks in the ordinary course of our business. These risks result primarily from changes in foreign currency exchange rates and interest rates, and concentration of credit risks. In addition, our international operations are subject to risks related to differing economic conditions, changes in political climate, differing tax structures, and other regulations and restrictions.

Concentration of Credit and Other Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash and cash equivalents, trade accounts receivable and unbilled revenues. These financial instruments approximate fair value due to short-term maturities. We maintain our cash and cash equivalents and short-term investments with financial institutions. We believe that our credit policies reflect normal industry terms and business risk. We do not anticipate non-performance by the counterparties and, accordingly, do not require collateral.

We maintain our cash with financial institutions. As of December 31, 2012, $76.2 million of total cash was held in CIS countries, with $50.6 million of that in Belarus. Banking and other financial systems in the CIS are less developed and regulated than in some more developed markets, and legislation relating to banks and bank accounts is subject to varying interpretations and inconsistent application. Banks in the CIS generally do not meet the banking standards of more developed markets, and the transparency of the banking sector lags behind international standards. Furthermore, bank deposits made by corporate entities in CIS are not insured. As a result, the banking sector remains subject to periodic instability. Another banking crisis, or the bankruptcy or insolvency of banks through which we receive or with which we hold funds, particularly in Belarus, may result in the loss of our deposits or adversely affect our ability to complete banking transactions in the CIS, which could materially adversely affect our business and financial condition.

Trade accounts receivable and unbilled revenues are generally dispersed across our clients in proportion to their revenues. During the years ended December 31, 2012 and 2011, our top five clients accounted for 44.4% and 44.6% of our total revenues, respectively. During 2011 and 2010, our largest client, Thomson Reuters, accounted for over 10% of our revenues; however, there were no customers accounting for over 10% of our revenues in 2012. Accounts receivable and unbilled revenues for this client were 15.9% and 15.0% of total accounts receivable and unbilled revenues, respectively, as of December 31, 2011.

Credit losses and write-offs of trade accounts receivable balances have historically not been material to our audited consolidated financial statements.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our cash and cash equivalents and our revolving line of credit bearing interest at LIBOR plus 1.25% rate. We do not use derivative financial instruments to hedge our risk of interest rate volatility.

We have not been exposed to material risks due to changes in market interest rates. However, our future interest expense may increase and interest income may fall due to changes in market interest rates.

Foreign Exchange Risk

Our audited consolidated financial statements are reported in U.S. dollars. Our international operations expose us to foreign currency exchange rate changes that could impact translations of foreign denominated assets and liabilities into U.S. dollars and future earnings and cash flows from transactions denominated in different currencies. Our exposure to currency exchange rate changes is diversified due to the number of different countries in which we conduct business. We operate outside the United States primarily through wholly owned subsidiaries in Canada, Europe, the CIS and CEE regions and generate a significant portion of our revenues in certain non-U.S. dollar currencies, principally, euros, British pounds and Russian rubles. We incur expenditures in non-U.S. dollar currencies, principally in Hungarian forints, euros and Russian rubles associated with our delivery centers located in CEE. We are exposed to fluctuations in foreign currency exchange rates primarily on accounts receivable and unbilled revenues from sales in these foreign currencies and cash flows for expenditures in foreign currencies. We do not use derivative financial instruments to hedge the risk of foreign exchange volatility. Our results of operations can be affected if the euro and/or the British pound appreciate or depreciate against the U.S. dollar. Our exchange rate risk primarily arises from our foreign currency revenues and expenses. Based on our results of operations for the year ended December 31, 2012, a 1.0% appreciation / (depreciation) of the euro against the U.S. dollar would result in an estimated increase / (decrease) of approximately $0.3 million in net income, and 1.0% appreciation / (depreciation) of the British pound against the U.S. dollar would result in an estimated increase / (decrease) of approximately $0.3 million in net income.

To the extent that we need to convert U.S. dollars into foreign currencies for our operations, appreciation of such foreign currencies against the U.S. dollar would adversely affect the amount of such foreign currencies we receive from the conversion. Sensitivity analysis is used as a primary tool in evaluating the effects of changes in foreign currency exchange rates, interest rates and commodity prices on our business operations. The analysis quantifies the impact of potential changes in these rates and prices on our earnings, cash flows and fair values of assets and liabilities during the forecast period, most commonly within a one-year period. The ranges of changes used for the purpose of this analysis reflect our view of changes that are reasonably possible over the forecast period. Fair values are the present value of projected future cash flows based on market rates and chosen prices.

Changes in the currency exchange rates resulted in our reporting a net transactional foreign currency exchange loss of $1.8 million, $4.0 million and $1.5 million in 2012, 2011 and 2010, respectively, which are included in the consolidated statements of income and comprehensive income.

Additionally, foreign currency translation adjustments from translating financials statements of our foreign subsidiaries from local currency to the U.S. dollars are recorded as a separate component of stockholders' equity or included in the consolidated statements of income and comprehensive income if local currencies of our foreign subsidiaries differ from their functional currencies. During the years ended December 31, 2012, 2011, and 2010 we recorded $2.5 million of translation gain, and $1.3 million and $0.4 million of translation losses within our consolidated accumulated other comprehensive income, respectively. Additionally, we recorded $0.3 million and $0.7 million of translation losses in 2012 and 2010, and $0.3 million of translation gain in 2011 within our consolidated statements of income and comprehensive income.

Item 8. *Financial Statements and Supplementary Data*

The information required is included in this annual report as set forth in Part IV, "Item 15. Exhibits, Financial Statement Schedules — Audited Consolidated Financial Statements."

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

None.

Item 9A. *Controls and Procedures*

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2012, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, as to the effectiveness, design and operation of our disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent and/or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs. Because of the inherent limitation in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in the Exchange Act Rules 13a- 15(e) and 15d-15(e)) were effective as of December 31, 2012.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management concluded that our internal control over financial reporting was effective at December 31, 2012.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the our independent registered public accounting firm pursuant to the rules of the Securities Exchange Commission that permit us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2012, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item is set forth under the sections "Election of Directors," "Our Executive Officers," "Section 16(a) Beneficial Ownership Reporting Compliance" and "Corporate Governance" in in our definitive Proxy Statement (the "2013 Proxy Statement") for our annual general meeting of stockholders to be held on June 13, 2013, which sections are incorporated herein by reference.

Item 11. *Executive Compensation*

Information required by this item is set forth under the sections "Executive Compensation Tables" and "Compensation Committee Interlocks and Insider Participation" in the 2013 Proxy Statement, which sections are incorporated herein by reference.

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

Information required by this item is set forth under the section "Security Ownership of Certain Beneficial Owners and Management" in the 2013 Proxy Statement, which section is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Information required by this item is set forth under the section "Certain Relationships and Related Transactions and Director Independence" in the 2013 Proxy Statement, which section is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

Information required by this item is set forth under the section "Independent Registered Public Accounting Firm Fees and Other Matters" in the 2013 Proxy Statement, which section is incorporated herein by reference.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

(a) We have filed the following documents as part of this annual report:

1. Audited Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2012 and 2011	F-3
Consolidated Statements of Income and Comprehensive Income for Years Ended December 31, 2012, 2011 and 2010	F-4
Consolidated Statements of Changes in Redeemable Preferred Stock and Stockholders' Equity for Years Ended December 31, 2012, 2011 and 2010	F-5
Consolidated Statements of Cash Flows for Years Ended December 31, 2012, 2011 and 2010	F-7
Notes to Consolidated Financial Statements for Years Ended December 31, 2012, 2011 and 2010	F-8

2. Financial Statement Schedules

Financial statement schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

3. Exhibits

A list of exhibits required to be filed as part of this annual report is set forth in the Exhibit Index, which immediately precedes such exhibits and is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 11 day of March, 2013.

EPAM SYSTEMS, INC.

By: /s/ Arkadiy Dobkin
Name: Arkadiy Dobkin
Title: Chairman, Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Arkadiy Dobkin Arkadiy Dobkin	Chairman, Chief Executive Officer and President (principal executive officer)	March 11, 2013
/s/ Ilya Cantor Ilya Cantor	Senior Vice President, Chief Financial Officer and Treasurer (principal financial officer and principal accounting officer)	March 11, 2013
/s/ Karl Robb Karl Robb	Director	March 11, 2013
/s/ Andrew J. Guff Andrew J. Guff	Director	March 11, 2013
/s/ Donald P. Spencer Donald P. Spencer	Director	March 11, 2013
/s/ Richard Michael Mayoras Richard Michael Mayoras	Director	March 11, 2013
/s/ Robert Segert Robert Segert	Director	March 11, 2013
/s/ Ronald Vargo Ronald Vargo	Director	March 11, 2013

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
EPAM Systems, Inc.
Newtown, PA

We have audited the accompanying consolidated balance sheets of EPAM Systems, Inc. and subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of income and comprehensive income, changes in redeemable preferred stock and stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such consolidated financial statements present fairly, in all material respects, the financial position of EPAM Systems, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Philadelphia, PA
March 11, 2013

EPAM SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of December 31, 2012	As of December 31, 2011
	(in thousands, except share and per share data)	
Assets		
Current assets		
Cash and cash equivalents	$ 118,112	$ 88,796
Accounts receivable, net of allowance of $2,203 and $2,250, respectively	78,906	59,472
Unbilled revenues	33,414	24,475
Prepaid and other current assets	12,264	6,436
Time deposits	1,006	—
Restricted cash, current	660	—
Deferred tax assets, current	6,593	4,384
Total current assets	250,955	183,563
Property and equipment, net	53,135	35,482
Restricted cash, long-term	467	2,582
Intangible assets, net	16,834	1,251
Goodwill	22,698	8,169
Deferred tax assets, long-term	6,093	1,875
Other long-term assets	632	2,691
Total assets	**$ 350,814**	**$ 235,613**
Liabilities		
Current liabilities		
Accounts payable	$ 6,095	$ 2,714
Accrued expenses and other liabilities	19,814	24,782
Deferred revenue	6,369	6,949
Due to employees	12,026	8,234
Taxes payable	14,557	8,712
Deferred tax liabilities, current	491	1,736
Total current liabilities	59,352	53,127
Deferred revenue, long-term	1,263	—
Taxes payable, long-term	1,228	1,204
Deferred tax liabilities, long-term	2,691	283
Total liabilities	**64,534**	**54,614**
Commitments and contingencies (Note 17)		
Preferred stock, $.001 par value; 0 and 5,000,000 authorized at December 31, 2012 and December 31, 2011, 0 and 2,054,935 Series A-1 convertible redeemable preferred stock issued and outstanding at December 31, 2012 and December 31, 2011; $.001 par value 0 and 945,114 authorized at December 31, 2012 and December 31, 2011, 0 and 384,804 Series A-2 convertible redeemable preferred stock issued and outstanding at December 31, 2012 and December 31, 2011	—	85,940
Stockholders' equity		
Common stock, $.001 par value; 160,000,000 authorized; 45,398,523 and 18,914,616 shares issued, 44,442,494 and 17,158,904 shares outstanding at December 31, 2012 and December 31, 2011, respectively	44	17
Preferred stock, $.001 par value; 0 and 290,277 authorized Series A-3 convertible preferred stock issued and outstanding at December 31, 2012 and December 31, 2011, respectively	—	—
Additional paid-in capital	166,962	40,020
Retained earnings	128,992	74,508
Treasury stock	(8,697)	(15,972)
Accumulated other comprehensive loss	(1,021)	(3,514)
Total stockholders' equity	**286,280**	**95,059**
Total liabilities and stockholders' equity	**$ 350,814**	**$ 235,613**

The accompanying notes are an integral part of the consolidated financial statements

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EPAM SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2012	2011	2010
	(in thousands, except per share data)		
Revenues	**$433,799**	**$334,528**	**$221,824**
Operating expenses:			
Cost of revenues (exclusive of depreciation and amortization)	270,361	205,336	132,528
Selling, general and administrative expenses	85,868	64,930	47,635
Depreciation and amortization expense	10,882	7,538	6,242
Goodwill impairment loss	—	1,697	—
Other operating expenses, net	682	19	2,629
Income from operations	**66,006**	**55,008**	**32,790**
Interest and other income, net	1,941	1,422	486
Foreign exchange loss	(2,084)	(3,638)	(2,181)
Income before provision for income taxes	**65,863**	**52,792**	**31,095**
Provision for income taxes	11,379	8,439	2,787
Net income	**$ 54,484**	**$ 44,353**	**$ 28,308**
Cumulative translation adjustment	2,493	(1,250)	(397)
Comprehensive income	**$ 56,977**	**$ 43,103**	**$ 27,911**
Accretion of preferred stock	—	(17,563)	(1,432)
Net income allocated to participating securities	(3,341)	(15,025)	(17,984)
Effect on income available from redemption of preferred stock	—	—	5,418
Net income available for common stockholders	51,143	11,765	14,310
Net income per share of common stock:			
Basic (common)	$ 1.27	$ 0.69	$ 0.84
Basic (puttable common)	$ —	$ 1.42	$ 0.84
Diluted (common)	$ 1.17	$ 0.63	$ 0.79
Diluted (puttable common)	$ —	$ 0.77	$ 0.79
Shares used in calculation of net income per share of common stock:			
Basic (common)	40,190	17,094	17,056
Basic (puttable common)	—	18	141
Diluted (common)	43,821	20,473	19,314
Diluted (puttable common)	—	18	141

The accompanying notes are an integral part of the consolidated financial statements

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EPAM SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY

For the years ended December 31, 2012, 2011 and 2010

(in thousands, except share data)

	Series A-1 and A-2, Convertible Redeemable Preferred Stock		Puttable Common Stock		Common Stock		Series A-3 Convertible Preferred Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balance, December 31, 2009	**2,730,016**	**$ 87,413**	**171,312**	**$ 1,264**	**17,060,504**	**$ 17**	**—**	**$ —**	**$ 12,582**	**$ 20,842**	**$ (15,040)**	**$ (1,867)**	**$ 16,534**
Repurchase and retirement of Series A-2 convertible redeemable preferred stock	(290,277)	(20,468)	—	—	—	—	—	—	5,418	—	—	—	5,418
Issue of Series A-3 convertible preferred stock	—	—	—	—	—	—	290,277	—	14,971	—	—	—	14,971
Accretion of A-1 preferred stock to redemption value	—	1,432	—	—	—	—	—	—	—	(1,432)	—	—	(1,432)
Purchase of common stock (Note 13)	—	—	—	—	—	—	—	—	—	—	(6,392)	—	(6,392)
Net proceeds from sale of common stock (Note 13)	—	—	—	—	—	—	—	—	(58)	—	6,392	—	6,334
Purchase of puttable stock (Note 13)	—	—	(114,416)	(932)	—	—	—	—	932	—	(932)	—	—
Adjustment of shares issued in connection with acquisition of Rodmon	—	—	—	—	(11,696)	—	—	—	(60)	—	—		(60)
Stock-based compensation expense	—	—	—	—	—	—	—	—	2,939	—	—	—	2,939
Proceeds from stock options exercise	—	—	—	—	5,600	—	—	—	26	—	—	—	26
Currency translation adjustment	—	—	—	—	—	—	—	—	—	—	—	(397)	(397)
Net income	—	—	—	—	—	—	—	—	—	28,308	—	—	28,308
Balance, December 31, 2010	**2,439,739**	**68,377**	**56,896**	**332**	**17,054,408**	**17**	**290,277**	**—**	**36,750**	**47,718**	**(15,972)**	**(2,264)**	**66,249**
Accretion of A-2 preferred stock to redemption value	—	17,563	—	—	—	—	—		—	(17,563)	—	—	(17,563)
Stock-based compensation expense	—	—	—	—	—	—	—	—	2,866	—	—	—	2,866
Proceeds from stock options exercise	—	—	—	—	47,600	—	—	—	72	—	—	—	72
Put option expiry	—	—	(56,896)	(332)	56,896	—	—	—	332	—	—	—	332
Currency translation adjustment	—	—	—	—	—	—	—	—	—	—	—	(1,250)	(1,250)
Net income	—	—	—	—	—	—	—	—	—	44,353	—	—	44,353
Balance, December 31, 2011	**2,439,739**	**$ 85,940**	**—**	**$ —**	**17,158,904**	**$ 17**	**290,277**	**$ —**	**$ 40,020**	**$ 74,508**	**$ (15,972)**	**$ (3,514)**	**$ 95,059**

EPAM SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN
REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (CONT'D)

	For the years ended December 31, 2012, 2011 and 2010										
	Series A-1 and A-2, Convertible Redeemable Preferred Stock		Common Stock		Series A-3 Convertible Preferred Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount					
	(in thousands, except share data)										
Balance, December 31, 2011	**2,439,739**	**$ 85,940**	**17,158,904**	**$ 17**	**290,277**	**$ —**	**$ 40,020**	**$ 74,508**	**$ (15,972)**	**$ (3,514)**	**$ 95,059**
Conversion to common stock	(2,439,739)	(85,940)	21,840,128	22	(290,277)	—	85,918	—	—	—	85,940
Initial public offering of common stock	—	—	2,900,000	3	—	—	32,361	—	—	—	32,364
Offering issuance costs	—	—	—	—	—	—	(3,395)	—	—	—	(3,395)
Issuance of restricted stock (Note 14)	—	—	213,656	—	—	—	—	—	—	—	—
Stock issued in connection with acquisition of Instant Information (Note 2)	—	—	53,336	—	—	—	640	—	—	—	640
Stock issued in connection with acquisition of Thoughtcorp, Inc. (Note 2)	—	—	434,546	—	—	—	(346)	—	3,953	—	3,607
Stock issued in connection with acquisition of Empathy Lab, LLC (Note 2)	—	—	326,344	—	—	—	(2,969)	—	2,969	—	—
Stock-based compensation expense	—	—	—	—	—	—	6,826	—	—	—	6,826
Proceeds from stock options exercises	—	—	1,515,580	2	—	—	4,963	—	—	—	4,965
Treasury stock retirement	—	—	—	—	—	—	(353)	—	353	—	—
Excess tax benefits	—	—	—	—	—	—	3,297	—	—	—	3,297
Currency translation adjustment	—	—	—	—	—	—	—	—	—	2,493	2,493
Net income	—	—	—	—	—	—	—	54,484	—	—	54,484
Balance, December 31, 2012	**—**	**$ —**	**44,442,494**	**$ 44**	**—**	**$ —**	**$ 166,962**	**$ 128,992**	**$ (8,697)**	**$ (1,021)**	**$ 286,280**

(Concluded)

The accompanying notes are an integral part of the consolidated financial statements

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EPAM SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2012	2011	2010
	(in thousands)		
Cash flows from operating activities:			
Net Income	$ 54,484	$ 44,353	$ 28,308
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,882	7,538	6,242
Bad debt expense	662	727	202
Deferred taxes	(3,933)	497	(2,704)
Stock-based compensation	6,826	2,866	2,939
Goodwill impairment loss	—	1,697	—
Excess tax benefits on stock-based compensation plans	(3,297)	—	—
Non-cash stock charge (Note 2)	640	—	—
Other	(66)	777	335
Change in operating assets and liabilities (net of effects of acquisitions):			
(Increase)/decrease in:			
Accounts receivable	(12,664)	(19,030)	(13,791)
Unbilled revenues	(6,905)	(1,004)	(10,653)
Prepaid expenses and other assets	(1,339)	(1,694)	(2,253)
Accounts payable	1,407	254	(2,646)
Accrued expenses and other liabilities	(5,825)	9,474	10,065
Deferred revenue	(767)	1,843	209
Due to employees	2,896	2,796	2,545
Taxes payable	5,498	3,426	1,675
Net cash provided by operating activities	48,499	54,520	20,473
Cash flows from investing activities:			
Purchases of property and equipment	(13,376)	(15,548)	(8,365)
Payment for construction of corporate facilities	(13,701)	(1,545)	—
Decrease/(increase) in restricted cash, net (Note 4)	470	(144)	(1,958)
Increase in other long-term assets, net	(69)	(171)	(91)
Acquisition of businesses, net of cash acquired (Note 2)	(32,951)	—	(412)
Net cash used in investing activities	(59,627)	(17,408)	(10,826)
Cash flows from financing activities:			
Net proceeds from issuance of common stock in initial public offering	32,364	—	—
Costs related to stock issue	(1,765)	(1,630)	—
Proceeds related to stock options exercises	4,951	72	26
Excess tax benefits on stock-based compensation plans	3,297	—	—
Purchase of treasury stock	—	—	(7,324)
Proceeds from sale of treasury stock, net of costs	—	—	6,334
Repurchase of Series A-2 convertible redeemable preferred stock	—	—	(15,050)
Proceeds from issue of Series A-3 convertible preferred stock, net of costs	—	—	14,971
Proceeds related to line of credit	—	5,000	—
Repayment related to line of credit	—	(5,000)	(7,000)
Net cash provided by/(used in) financing activities	38,847	(1,558)	(8,043)
Effect of exchange-rate changes on cash and cash equivalents	1,597	(762)	(527)
Net increase in cash and cash equivalents	29,316	34,792	1,077
Cash and cash equivalents, beginning of year-January 1	88,796	54,004	52,927
Cash and cash equivalents, end of year	$118,112	$ 88,796	$ 54,004
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Income taxes	$ 13,065	$ 7,007	$ 5,577
Bank interest	14	37	101

Summary of non-cash investing and financing transactions:

- Accretion of Series A-1 convertible redeemable preferred stock was $0 in 2012, $0 in 2011, and $1,432 in 2010.
- Accretion of Series A-2 convertible redeemable preferred stock was $0 in 2012, $17,563 in 2011, and $0 in 2010.
- Total incurred but not paid costs related to stock issue were $0 in 2012, $470 in 2011 and $0 in 2010.
- Total incurred but not paid costs related to acquisition of businesses were $96 in 2012, and $0 in 2011 and 2010.

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

EPAM SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012 AND 2011
AND FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(US DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

EPAM Systems, Inc. (the Company or EPAM) is a leading provider of complex software engineering solutions and a leader in Central and Eastern European IT services delivery. The Company provides these solutions to primarily Fortune Global 2000 companies in multiple verticals, including Independent Software Vendors (ISVs) and Technology, Banking and Financial services, Business Information and Media, Travel and Consumer.

Since EPAM's inception in 1993, the Company has focused on providing software product development services, software engineering and vertically-oriented custom development solutions through its global delivery model. This has served as a foundation for the Company's other solutions, including custom application development, application testing, platform-based solutions, application maintenance and support, and infrastructure management.

The Company is incorporated in Delaware with headquarters in Newtown, PA, with multiple delivery centers located in Belarus, Ukraine, Russia, Hungary, Kazakhstan and Poland, and client management locations in the United States, Canada, the United Kingdom, Germany, Sweden, Switzerland, Russia and Kazakhstan.

Emerging growth company status — In April 2012, several weeks after EPAM's initial public offering in February 2012, President Obama signed into law the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). The JOBS Act contains provisions that relax certain requirements for "emerging growth companies" that otherwise apply to larger public companies. For as long as a company retains emerging growth company status, which may be until the fiscal year-end after the fifth anniversary of its initial public offering, it will not be required to (1) provide an auditor's attestation report on its management's assessment of the effectiveness of its internal control over financial reporting, otherwise required by Section 404(b) of the Sarbanes-Oxley Act of 2002, (2) comply with any new or revised financial accounting standard applicable to public companies until such standard is also applicable to private companies, (3) comply with certain new requirements adopted by the Public Company Accounting Oversight Board, (4) provide certain disclosure regarding executive compensation required of larger public companies or (5) hold shareholder advisory votes on matters relating to executive compensation.

EPAM is classified as an emerging growth company under the JOBS Act and is eligible to take advantage of the accommodations described above for as long as it retains this status. However, EPAM has elected not to take advantage of the transition period described in (2) above, which is the exemption provided in Section 7(a)(2)(B) of the Securities Act of 1933 and Section 13(a) of the Securities Exchange Act of 1934 (in each case as amended by the JOBS Act) for complying with new or revised financial accounting standards. EPAM will therefore comply with new or revised financial accounting standards to the same extent that a non-emerging growth company is required to comply with such standards.

Principles of Consolidation — The consolidated financial statements include the financial statements of EPAM Systems, Inc. and its subsidiaries. All intercompany balances and transactions have been eliminated.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates and assumptions affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as revenues and expenses during the reporting period. The Company bases its estimates and judgments on historical experience, knowledge of current conditions and its beliefs of what could occur in the future, given available information. Actual results could differ from those estimates, and such differences may be material to the financial statements.

Revenue Recognition — The Company recognizes revenue when realized or realizable and earned, which is when the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; the sales price is fixed or determinable; and collectability is reasonably assured. If there is an uncertainty about the project completion or receipt of payment for the consulting services, revenues are deferred

until the uncertainty is sufficiently resolved. At the time revenues are recognized, we provide for client incentive programs and reduce revenues accordingly.

The Company defers amounts billed to its clients for revenues not yet earned. Such amounts are anticipated to be recorded as revenues as services are performed in subsequent periods. Unbilled revenues represent services provided which are billed subsequent to the period end in accordance with the contract terms.

The majority of the Company's revenues (84.1% of revenues in 2012, 86.1% in 2011 and 85.2% in 2010) is generated under time-and-material contracts whereby revenues are recognized as services are performed with the corresponding cost of providing those services reflected as cost of revenues when incurred. The majority of the revenues are billed on an hourly, daily or monthly basis whereby actual time is charged directly to the client.

Revenues from fixed-price contracts (13.7% of revenues in 2012, 11.0% in 2011 and 12.3% in 2010) are determined using the proportional performance method. In instances where final acceptance of the product, system, or solution is specified by the client, revenues are deferred until all acceptance criteria have been met. In absence of a sufficient basis to measure progress towards completion, revenue is recognized upon receipt of final acceptance from the client. The complexity of the estimation process and factors relating to the assumptions, risks and uncertainties inherent with the application of the proportional performance method of accounting affects the amounts of revenues and related expenses reported in our consolidated financial statements. A number of internal and external factors can affect our estimates, including labor hours and specification and testing requirement changes. In order to estimate the amount of revenue for the period under the proportional performance method, the Company determines the percentage of actual labor hours incurred as compared to estimated total labor hours and applies that percentage to the consideration allocated to the deliverable. The cumulative impact of any revision in estimates is reflected in the financial reporting period in which the change in estimate becomes known. Our fixed price contracts are generally recognized over a period of twelve months or less.

The Company enters into multiple element arrangements with our clients under time-and-material and fixed-fee contracts. In October 2009, the FASB issued a new accounting standard which provides guidance for arrangements with multiple deliverables. We adopted this standard effective January 1, 2010 for all new or amended contracts, and it did not have a material effect on our financial condition or consolidated results of operations, or change our units of accounting and how we allocate the arrangement consideration to various units of accounting. These arrangements consist of development services and other service deliverables that qualify for separate units of accounting. These other services include maintenance and support services for our time and material contracts and separately priced warranties for our fixed-fee contracts. These deliverables qualify for multiple units of accounting and therefore arrangement consideration is allocated among the units of accounting based on their relative selling price. The relative selling price is based on the price charged for the deliverable when it is sold separately. For multiple element arrangements under time-and-material contracts, revenue is recognized as services are performed for each deliverable. For arrangements under fixed-fee contracts, revenue is recognized upon delivery of development services under the proportional performance method and on a straight-line basis over the warranty period. The warranty period is generally six months to two years.

The Company reports gross reimbursable "out-of-pocket" expenses incurred as both revenues and cost of revenues in the consolidated statements of income.

Cost of revenues (exclusive of depreciation and amortization) — Consists principally of salaries, employee benefits and stock compensation expense, reimbursable and non-reimbursable travel costs and subcontractor fees.

Selling, general and administrative expenses — Consist of expenses associated with promoting and selling the Company's services and include such items as sales and marketing personnel salaries, stock compensation expense and related fringe benefits, commissions, travel, and the cost of advertising and other promotional activities. General and administrative expenses include other operating items such as officers' and administrative personnel salaries, marketing personnel salaries, stock compensation expense and related fringe benefits, legal and audit expenses, insurance, provision for doubtful accounts, and operating lease expenses.

Cash and Cash Equivalents — Cash equivalents are short-term, highly liquid investments that are readily convertible into cash, with maturities of three months or less at the date acquired. As of December 31, 2012 and 2011 all amounts are in cash.

Restricted Cash — Restricted cash represents cash that is restricted by agreements with third parties for special purposes (see Note 4).

Accounts Receivable — Accounts receivable are recorded at net realizable value. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its clients to make required payments. The allowance for doubtful accounts is determined by evaluating the relative credit-worthiness of each client, historical collections experience and other information, including the aging of the receivables.

Recoveries of losses from accounts receivable written off in prior years are presented within income from operations on the Company's consolidated statements of income. Collections in respect of prior year write-offs amounted to $0 for the year ended December 31, 2012, and $0 and $1,686 in each of the two years ended December 2011 and 2010, respectively.

The table below summarizes movements in qualifying accounts for the years ended December 31, 2012, 2011 and 2010:

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions/ Other	Balance at End of Year
Allowance for Doubtful Accounts (billed and unbilled):				
Fiscal Year 2010	$ 3,246	$ 1,493	$ (3,068)	$ 1,671
Fiscal Year 2011	1,671	1,234	(655)	2,250
Fiscal Year 2012	2,250	1,244	(1,291)	2,203

Property and Equipment — Property and equipment acquired in the ordinary course of the Company's operations are stated at cost, net of accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets generally ranging from 3 to 50 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the lease or the estimated useful life of the improvement. Maintenance and repairs are expensed as incurred, while renewals and betterments are capitalized.

Goodwill and Other Intangible Assets — Goodwill is measured as the excess of the cost of an acquisition over the sum of the amounts assigned to tangible and intangible assets acquired less liabilities assumed. The determination of the fair value of the intangible assets acquired involves certain judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future and the appropriate weighted average cost of capital.

The Company does not amortize goodwill but performs a test for impairment annually, or when indications of potential impairment exist, utilizing a fair value approach at the reporting unit level. The Company determines fair value using the income approach which estimates the fair value of its reporting units based on the future discounted cash flows. In testing for a potential impairment of goodwill, the Company estimates the fair value of its reporting units to which goodwill relates and estimates the carrying value (book value) of the assets and liabilities related to those reporting units.

As a result of an operating loss in the Other reporting unit for the three months ended June 30, 2011, the Company performed a goodwill impairment test. In assessing impairment in accordance with Accounting Standards Codification, ("ASC") No. 350, "Intangibles-Goodwill and Other," the Company determined that the fair value of the Other reporting unit, based on the total of the expected future discounted cash flows directly related to the reporting unit, was below the carrying value of the reporting unit. The Company completed the second step of the goodwill impairment test, resulting in an impairment charge of $1,697.

In the fourth quarter of fiscal 2012, 2011 and 2010, the Company completed its annual impairment testing of goodwill and determined there was no impairment.

The Company amortizes other intangible assets with determinable lives over their estimated useful lives. The Company records an impairment charge on these assets when it determines that their carrying value may not be recoverable. The carrying value is not recoverable if it exceeds the undiscounted future cash flows resulting from the use of the asset and its eventual disposition. When there exists one or more indicators of impairment, the Company measures any impairment of intangible assets based on the excess of the carrying value of the asset over its fair value. Its fair value is determined based on a projected discounted cash flow

method using a discount rate determined by the Company's management to be commensurate with the risk inherent in its business model. The Company's estimates of future cash flows attributable to its other intangible assets require significant judgment based on the Company's historical and anticipated results.

All of the Company's intangible assets have finite lives and the Company did not incur any impairments of its intangible assets for the years ended December 31, 2012, 2011 and 2010.

Impairment of Long-Lived Assets — Long-lived assets, such as property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The assessment for potential impairment is based primarily on the Company's ability to recover the carrying value of its long-lived assets from expected future cash flows from its operations on an undiscounted basis at each reporting date. If such assets are determined to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets. Property and equipment to be disposed of by sale is carried at the lower of the then current carrying value or fair value less estimated costs to sell. The Company did not incur any impairments of long-lived assets for 2012, 2011, or 2010.

FASB ASC Topic 820 establishes a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. The fair value test for impairment of long-lived assets is classified as a Level 3 measurement under FASB ASC Topic 820.

Income Taxes — The provision for income taxes includes federal, state, local and foreign taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences of temporary differences between the financial statement carrying amounts and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be reversed. Changes to enacted tax rates would result in either increases or decreases in the provision for income taxes in the period of changes. The Company evaluates the realizability of deferred tax assets and recognizes a valuation allowance when it is more likely than not that all, or a portion of, deferred tax assets will not be realized.

The realization of deferred tax assets is primarily dependent on future earnings. Any reduction in estimated forecasted results may require that we record valuation allowances against deferred tax assets. Once a valuation allowance has been established, it will be maintained until there is sufficient positive evidence to conclude that it is more likely than not that the deferred tax assets will be realized. A pattern of sustained profitability will generally be considered as sufficient positive evidence to reverse a valuation allowance. If the allowance is reversed in a future period, the income tax provision will be correspondingly reduced. Accordingly, the increase and decrease of valuation allowances could have a significant negative or positive impact on future earnings. See Note 10 to the consolidated financial statements for further information.

Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and our effective tax rate in the future. The American Taxpayer Relief Act of 2012 (the "Act") was signed into law on January 2, 2013. Because a change in tax law is accounted for in the period of enactment, certain provisions of the Act benefiting the Company's 2012 U.S. federal taxes, including the Subpart F controlled foreign corporation look-through exception cannot be recognized in the Company's 2012 financial results and instead will be reflected in the Company's 2013 financial results.

Earnings per Share

Basic EPS is computed by dividing the net income applicable to common stockholders for the period by the weighted average number of shares of common stock outstanding during the same period. Our Series A-1 Preferred, Series A-2 Preferred, and Series A-3 Preferred Stock, that had been outstanding and convertible into common stock until February 13, 2012 (the date of our IPO), and our puttable common stock were considered participating securities since these securities had non-forfeitable rights to dividends or dividend equivalents during the contractual period and thus required the two-class method of computing EPS. When calculating diluted EPS, the numerator is computed by adding back the undistributed earnings allocated to the participating securities in arriving at the basic EPS and then reallocating such undistributed earnings among our common stock, participating securities and the potential common shares that result from the assumed exercise of all dilutive options. The denominator is increased to include the number of additional common shares that would have been outstanding had the options been issued.

Foreign Currency Translation — Assets and liabilities of consolidated foreign subsidiaries, whose functional currency is the local currency, are translated to U.S. dollars at period end exchange rates. Revenues

and expenses are translated to U.S. dollars at daily exchange rates. The adjustment resulting from translating the financial statements of such foreign subsidiaries to U.S. dollars is reflected as a cumulative translation adjustment and reported as a component of accumulated other comprehensive income.

The Company reports the effect of exchange rate changes on cash balances held in foreign currencies as a separate item in the reconciliation of the changes in cash and cash equivalents during the period. Transaction gains and losses are included in the period in which they occur.

Risks and Uncertainties — Principally, all of the Company's IT delivery centers and a majority of its employees are located in Central and Eastern Europe. As a result, the Company may be subject to certain risks associated with international operations, risks associated with the application and imposition of protective legislation and regulations relating to import and export, or otherwise resulting from foreign policy or the variability of foreign economic or political conditions. Additional risks associated with international operations include difficulties in enforcing intellectual property rights, the burdens of complying with a wide variety of foreign laws, potential geo-political and other risks associated with potentially adverse tax consequences, tariffs, quotas and other barriers.

Concentration of Credit — The Company maintains its cash with financial institutions. As of December 31, 2012, $76.2 million of total cash was held in CIS countries, with $50.6 million of that in Belarus. Banking and other financial systems in the CIS are less developed and regulated than in some more developed markets, and legislation relating to banks and bank accounts is subject to varying interpretations and inconsistent application. Banks in the CIS generally do not meet the banking standards of more developed markets, and the transparency of the banking sector lags behind international standards. Furthermore, bank deposits made by corporate entities in CIS are not insured. As a result, the banking sector remains subject to periodic instability. Another banking crisis, or the bankruptcy or insolvency of banks through which the Company receives or with which it holds funds, particularly in Belarus, may result in the loss of its deposits or adversely affect its ability to complete banking transactions in the CIS, which could materially adversely affect the Company's business and financial condition.

For the years ended December 31, 2012, 2011 and 2010 the top five clients accounted for 31.0%, 32.0% and 29.7% of revenues, respectively. For the years ended December 31, 2012, 2011 and 2010 the top ten clients accounted for 44.4%, 44.6% and 42.6% of revenues, respectively. There were no customers which accounted for over 10% of revenues in 2012. One client, Thomson Reuters, accounted for $35.9 million, or 10.7% and $26.0 million, or 11.7%, of revenues in 2011 and 2010, respectively. Accounts receivable and unbilled revenues for this client were 15.9% and 15.0% of total accounts receivable and unbilled revenues as of December 31, 2011, respectively.

During the years ended December 31, 2012, 2011 and 2010 the Company incurred subcontractor costs of $3,535, $4,545 and $12,219, respectively, to a vendor for staffing, consulting, training, recruiting and other logistical / support services provided for the Company's delivery and development operations in Eastern Europe. Such costs are included in cost of revenues and sales, general and administrative expenses, as appropriate, in the accompanying consolidated statements of income and comprehensive income.

Foreign currency risk — The Company generates revenues in various global markets based on client contracts obtained in non-U.S. dollar currencies, principally, Euros, British pounds and Russian Rubles. The Company incurs expenditures in non-U.S. dollar currencies, principally in Hungarian Forints, Euros, and Russian Rubles associated with the IT delivery centers located in Central and Eastern Europe. The Company is exposed to fluctuations in foreign currency exchange rates primarily on accounts receivable and unbilled revenues from sales in these foreign currencies, and cash flows for expenditures in foreign currencies. The Company doesn't use derivative financial instruments to hedge the risk of foreign exchange volatility.

Interest rate risk — The Company's exposure to market risk for changes in interest rates relates primarily to the Company's cash and cash equivalents and the LIBOR+1.25% rate long-term credit facility (see Note 7). The Company doesn't use derivative financial instruments to hedge the risk of interest rate volatility.

Fair value of financial instruments — The Company's financial instruments consist primarily of cash and cash equivalents, restricted cash and term deposits, accounts receivable, accounts payable and other current assets and liabilities. The fair values of these instruments approximate their carrying values due to their short-term nature.

Accounting for Stock-Based Employee Compensation Plans — Stock-based compensation expense for awards of equity instruments to employees and non-employee directors is determined based on the grant-date fair value of the awards ultimately expected to vest. The Company recognizes these compensation costs on a

straight-line basis over the requisite service period of the award, which is generally the option vesting term of four years (See Note 14).

The Company estimates forfeitures at the time of grant and revises its estimates, if necessary, in subsequent periods if actual forfeitures or vesting differ from those estimates. Such revisions could have a material effect on the Company's operating results. The assumptions used in the valuation model are based on subjective future expectations combined with management judgment. If any of the assumptions used in the valuation model changes significantly, stock-based compensation for future awards may differ materially compared to the awards previously granted.

Recent Accounting Pronouncements — In May 2011, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU" or "Update") No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS" which is intended to create consistency between U.S. GAAP and International Financial Reporting Standards ("IFRS"). The amendments include clarification on the application of certain existing fair value measurement guidance and expanded disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This guidance was effective prospectively for public entities for interim and annual reporting periods beginning after December 15, 2011, with early adoption by public entities prohibited. The adoption of this standard did not have a material effect on the Company's financial condition, results of operations and cash flows.

In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income" which requires comprehensive income to be reported in either a single statement or in two consecutive statements reporting net income and other comprehensive income. The amendment does not change what items are reported in other comprehensive income. Additionally, in December 2011, the FASB

issued ASU No. 2011-12, “Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05” which indefinitely defers the requirement in ASU No. 2011-05 to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. During the deferral period, the existing requirements in U.S. GAAP for the presentation of reclassification adjustments must continue to be followed. These standards were effective for interim and annual financial periods beginning after December 15, 2011 and are to be applied retrospectively, with early adoption permitted. As these standards impact presentation requirements only, the adoption of this guidance did not have a material effect on the Company’s financial condition, results of operations and cash flows.

In September 2011, the FASB issued new guidance allowing companies testing goodwill for impairment to have the option of performing a qualitative assessment before calculating the fair value of the reporting unit (i.e. the first step of the goodwill impairment test). If companies determine, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. This update is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company adopted this standard effective October 1, 2011. The adoption of this standard did not have a material effect on the Company’s financial condition, consolidated results of operations or disclosures.

In testing its reporting units for goodwill impairment as of December 31, 2012 and 2011, the Company bypassed the qualitative assessment option and proceeded directly to performing the first step of the two-step goodwill impairment test. The Company may resume performing the qualitative assessment in any subsequent period.

In October 2012, the FASB issued ASU No. 2012-04, “Technical Corrections and Improvements” which clarifies the Codification or corrects unintended application of guidance and includes amendments identifying when the use of fair value should be linked to the definition of fair value in Topic 820, Fair Value Measurement. Amendments to the Codification without transition guidance are effective upon issuance effective for fiscal periods beginning after December 15, 2012. The Company is currently evaluating the effect of the adoption of this pronouncement on its financial condition, results of operations and cash flows.

In January 2013, the FASB issued ASU 2013-01, “Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities”. The ASU clarifies that ordinary trade receivables and receivables are not in the scope of ASU 2011-11, “Disclosures about Offsetting Assets and Liabilities”. ASU 2011-11 applies only to derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria contained in the Codification or subject to a master netting arrangement or similar agreement. The ASU if effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods and requires retrospective application for all comparative periods presented. The Company doesn’t expect the adoption of this standard to have a material effect on the Company’s financial condition, results of operations and cash flows.

In February 2013, the FASB issued ASU 2013-02, which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income (“AOCI”). The ASU is intended to help entities improve the transparency of changes in other comprehensive income (OCI) and items reclassified out of AOCI in their financial statements. It does not amend any existing requirements for reporting net income or OCI in the financial statements. New disclosure requirements are effective for fiscal periods beginning after December 15, 2012 and should be applied prospectively. As the new ASU impacts presentation requirements only, the Company doesn’t expect the adoption of this standard to have a material effect on the Company’s financial condition, results of operations and cash flows.

2. ACQUISITIONS

Empathy Lab, LLC — On December 18, 2012, the Company acquired substantially all of the assets and assumed certain liabilities of Empathy Lab, LLC (“Empathy Lab”), a U.S.-based digital strategy and multi-channel experience design firm. The acquisition is intended to enhance the Company’s strong capabilities in global delivery of software engineering services with the proven expertise in two important growth areas-development and execution of enterprise-wide eCommerce initiatives and transformation of media consumption and distribution channels. In addition to strengthening our Travel and Consumer and Business Information and Media verticals, Empathy Lab brings significant expertise in digital marketing strategy consulting and program management.

The purchase price was comprised of approximately $27,257 payable in cash, of which approximately 10% was placed in escrow for a period of 18 months as a security for the indemnification obligations of the sellers under the asset purchase agreement. Additionally, the Company issued to the sellers 326,344 shares of non-vested (“restricted”) common stock contingent on their continued employment with the Company (Note 14), of which 65,268 shares were placed in escrow for a period of 18 months as a security for the indemnification obligations of the sellers under the asset purchase agreement. The restricted stock has an estimated value of $6,755 and will be recorded as a stock-based compensation expense over an associated service period of three years.

Additionally, the Company agreed to issue stock options to certain employees acquired through the Empathy Lab acquisition. The stock options will be issued in the amount by which the acquiree’s revenue exceeds the target revenue for the first half of 2013, as defined by the purchase agreement. The stock options will be issued under the Company’s current long-term incentive plan and will be subject to all vesting restrictions and other terms and conditions customary for the Company.

The purchase price was allocated to the assets acquired based on their related fair values, as follows:

Cash and cash equivalents	$ 1,191
Trade receivables and other current assets	5,983
Property and equipment	186
Deferred tax asset	30
Acquired intangible assets	11,200
Goodwill	11,359
Total assets acquired	29,949
Accounts payable and accrued expenses	1,028
Deferred revenue and other liabilities	1,664

Total liabilities assumed	2,692
Net assets acquired	$27,257

The Company performed a valuation analysis to determine the fair values of certain intangible assets of Empathy Lab as of the acquisition date. As part of the valuation process, the excess earnings method was used to determine the value of customer relationships. Fair values of trade name and non-competition agreements were determined using the relief from royalty and discounted earnings methods, respectively. The Company expects approximately $11,470 of tax goodwill amortizable over a15-year period.

The following table presents the estimated fair values and useful lives of intangible assets acquired:

	December 18, 2012	Weighted Average Useful Life (in years)
Customer relationships	$ 6,900	10
Trade names	3,900	5
Non-competition agreements	400	4
Total	$ 11,200	

The above estimated fair values of the assets acquired and liabilities assumed are provisional and based on information available as of the acquisition date to estimate the fair values of the assets acquired and liabilities assumed. The Company believes such information provides a reasonable basis for estimating the fair values but the Company is waiting for additional information necessary to finalize those amounts, particularly with respect to the estimated fair values of intangible assets and deferred income taxes. Thus, the provisional measurements of fair value reflected are subject to change. Such changes could be significant. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable but no later than one year from the Empathy Lab acquisition date.

Included in consolidated statements of income and comprehensive income for the year ended December 31, 2012 are $545 of revenues and $104 of net income of the acquiree, respectively.

Total acquisition-related post-combination compensation expense recognized for the year ended December 31, 2012 was $79 and is presented within selling, general and administrative expenses. Total acquisition-related costs were $81 and are presented within selling, general and administrative expenses for the year ended December 31, 2012, respectively.

Pro forma results of operations for the Empathy Lab acquisition completed during the year ended December 31, 2012 have not been presented because the effects of the acquisition were not material, individually and in aggregate with other acquisitions completed by the Company during 2012, to the Company's consolidated results of operations.

Thoughtcorp, Inc. — On May 23, 2012, the Company acquired substantially all of the assets and assumed certain liabilities of Thoughtcorp, Inc., a Toronto-based software solutions provider ("Thoughtcorp"). The acquisition is intended to expand the Company's geographic footprint within North America, and complement its global delivery capabilities with expertise in areas such as agile development, enterprise mobility and business intelligence. In addition, Thoughtcorp brings significant telecommunications expertise, and is also expected to expand and enhance the Company's offering within the Banking and Financial Services and Travel and Consumer verticals.

The purchase price was comprised of $7,497 paid in cash and 217,274 shares of common stock with a fair value of $3,607 at the acquisition date. Half of these shares were placed in escrow for a period of 18 months as a security for the indemnification obligations of the sellers under the asset purchase agreement. Additionally, the Company issued to the sellers 217,272 shares of non-vested ("restricted") common stock contingent on their continued employment with the Company (Note 14). These shares have an estimated value of $3,607 and will be recorded as stock-based compensation expense over an associated service period of two years. A deferred tax asset has been recognized for the tax effect of the fair value of the portion of the shares that were placed in escrow.

The purchase price was allocated to the assets acquired based on their related fair values, as follows:

Cash and cash equivalents	$1,111

Trade receivables and other current assets	2,484
Property and equipment	92
Deferred tax asset	1,348
Acquired intangible assets	5,296
Goodwill	2,935
Total assets acquired	13,266
Accounts payable and accrued expenses	461
Assumed shareholder and director loans	1,290
Deferred revenue and other liabilities	411
Total liabilities assumed	2,162
Net assets acquired	$11,104

The Company performed a valuation analysis to determine the fair values of certain intangible assets of Thoughtcorp as of the acquisition date. As part of the valuation process, the excess earnings method was used to determine the value of customer relationships. Fair values of trade name and non-competition agreements were determined using the relief from royalty and discounted earnings methods, respectively. The Company expects approximately $8,310 of tax goodwill, of which 75% is deductible at 7% per annum on a declining basis.

The following table presents the fair values and useful lives of intangible assets acquired:

	May 23, 2012	Weighted Average Useful Life (in years)
Customer relationships	$2,810	10
Trade names	2,014	5
Non-competition agreements	472	5
Total	$5,296	

Included in consolidated statements of income for the year ended December 31, 2012 are $7,184 of revenues and $206 of net losses of the acquiree, respectively.

Total acquisition-related post-combination compensation expense recognized for the year ended December 31, 2012 was $1,252 and is presented within selling, general and administrative expenses. Total acquisition-related costs were $420 and are presented within selling, general and administrative expenses for the year ended December 31, 2012, respectively.

Pro forma results of operations for the Thoughtcorp acquisition completed during the year ended December 31, 2012 have not been presented because the effects of the acquisition, individually and in aggregate with other acquisitions completed by the Company during 2012, were not material to the Company's consolidated results of operations.

Instant Information, Inc. — On August 20, 2010 EPAM agreed to acquire certain assets and assume certain liabilities of Instant Information, Inc. The primary purpose of this acquisition was to acquire skilled workforce and experienced management, the rights to the intellectual property embodied by our InfoNgen services and cloud deployment capabilities, as well as to strengthen our existing Business Information and Media vertical.

The purchase price consisted of $360 cash plus contingent consideration of $1,000 in Company stock subject to accelerated issuance in the event of completion by the Company of an Initial Public Offering during the period specified. Contingent consideration was dependent upon the acquiree's meeting specified level of performance over calendar years of 2010-2012. The fair value of the contingent consideration was based on the Company's probability assessment of the established profitability measures and was estimated to be nil as of the December 31, 2011 and 2010. During the first quarter of 2012, the Company completed an initial public offering of its common stock and issued 53,336 shares to the acquiree pursuant to the accelerated issuance provision. The resultant charge of $640 was recorded within the sales, general and administrative expenses in the consolidated statements of income and comprehensive income.

Under the acquisition method of accounting the Company has allocated the purchase price to the tangible and intangible assets and liabilities acquired based on their fair values. As part of the process, the Company

performed a valuation analysis to determine the fair values of certain intangible assets of Instant Information, Inc. as of the acquisition date. As part of the valuation process, relief from royalty method was used to determine the fair value of the trade name of $216. The intangible is being amortized over a 5 year life. Goodwill is amortizable over 15 years for tax purposes.

The purchase price was allocated to the assets acquired based on their related fair values, as follows:

Cash and cash equivalents	$ 11
Restricted cash	107
Trade receivables	273
Prepaid and other assets	53
Property and equipment	113
Software	19
Trade name	216
Goodwill	838
Total assets acquired	1,630
Accounts payable	580
Accrued expenses	186
Deferred revenue	448
Liability under capital leases	36
Other taxes payable	20
Total liabilities assumed	1,270
Net assets acquired	$ 360

The results of Instant Information, Inc. are included in the Company's consolidated financial statements from August 21, 2010.

Included in consolidated statements of income and comprehensive income for the year ended December 31, 2010 are $677 and $873 of revenues and net losses of the acquiree, respectively.

Total acquisition-related costs were $63 and are presented within selling, general and administrative expenses for the year ended December 31, 2010.

Pro forma results of operations for the Instant Information, Inc. acquisition completed in 2010 have not been presented because the effects of the acquisition were not material to the Company's consolidated results of operations.

3. GOODWILL AND INTANGIBLE ASSETS — NET

Goodwill by reportable segment was as follows:

	North America	EU	Russia	Other	Total
Balance as of January 1, 2011					
Goodwill	$ 2,286	$2,864	$3,185	$ 1,697	$10,032
Accumulated impairment losses	—	—	—	—	—
	2,286	2,864	3,185	1,697	10,032
Goodwill written off	—	—	—	(1,697)	(1,697)
Effect of net foreign currency exchange rate changes	—	—	(166)	—	(166)
Balance as of December 31, 2011					
Goodwill	2,286	2,864	3,019	1,697	9,866
Accumulated impairment losses	—	—	—	(1,697)	(1,697)
	2,286	2,864	3,019	—	8,169
Acquisition of Thoughtcorp (Note 2)	2,935	—	—	—	2,935
Acquisition of Empathy Lab (Note 2)	11,359	—	—	—	11,359
Effect of net foreign currency exchange rate changes	63	—	172	—	235

	North America	EU	Russia	Other	Total
Balance as of December 31, 2012					
Goodwill	16,643	2,864	3,191	1,697	24,395
Accumulated impairment losses	—	—	—	(1,697)	(1,697)
	$ 16,643	$2,864	$3,191	—	$22,698

The Company values goodwill at fair value on a non-recurring basis. When testing for impairment, the Company first compares the fair value of its reporting units to the recorded values. Valuation methods used to determine fair value are based on the analysis of the discounted future cash flows that a reporting unit is expected to generate ("Income Approach"). These valuations are considered Level 3 measurements under FASB ASC Topic 820. The Company utilizes estimates to determine the fair value of the reporting units such as future cash flows, growth rates, capital requirements, effective tax rates and projected margins, among other factors. Estimates utilized in the future evaluations of goodwill for impairment could differ from estimates used in the current period calculations. If the carrying amount of the reporting units exceeds its fair value, goodwill is considered potentially impaired and a second step is performed to measure the amount of impairment loss.

As a result of an operating loss in the Other reporting unit for the three months ended June 30, 2011, the Company performed a goodwill impairment test. In assessing impairment in accordance with Accounting Standards Codification, ("ASC") No. 350, "Intangibles-Goodwill and Other," the Company determined that the fair value of the Other reporting unit, based on the total of the expected future discounted cash flows directly related to the reporting unit, was below the carrying value of the reporting unit. The Company completed the second step of the goodwill impairment test, resulting in an impairment charge of $1,697. The Company completed its annual impairment testing as of December 31, 2012, 2011 and 2010, and found no indication of impairment for its North America, EU, and Russia reporting units.

As part of the Thoughtcorp acquisition, substantially all of the employees of the acquiree accepted employment with the Company. The Company believes the amount of goodwill resulting from the allocation of purchase price to acquire Thoughtcorp is attributable to the workforce of the acquired business. All of the goodwill was allocated to the Company's Canadian operations and is presented within North America.

As part of the Empathy Lab acquisition, substantially all of the employees of the acquiree accepted employment with the Company. The Company believes the amount of goodwill resulting from the allocation of purchase price to acquire Empathy Lab is attributable to the workforce of the acquired business. All of the goodwill was allocated to the Company's U.S. operations and is presented within North America.

Components of intangible assets were as follows:

		2012		
	Weighted average life at acquisition	Gross carrying amount	Accumulated amortization	Net carrying amount
Client relationships	9 years	$13,724	$ (3,640)	$ 10,084
Trade name	5 years	6,372	(439)	5,933
Non-competition agreements	5 years	881	(64)	817
Total		$20,977	$ (4,143)	$ 16,834

		2011		
	Weighted average life at acquisition	Gross carrying amount	Accumulated amortization	Net carrying amount
Client relationships	5 years	$ 3,918	$ (2,976)	$ 942
Trade name	8 years	415	(106)	309
Total		$ 4,333	$ (3,082)	$ 1,251

All of the intangible assets have finite lives and as such are subject to amortization. Amortization of intangibles for the years ended December 31 is presented in the table below:

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	2012	2011	2010
Client relationships	$ 627	$720	$871
Trade name	333	59	19
Non-competition agreements	64	—	—
Developed technology	—	—	109
Total	$1,024	$779	$999

Estimated amortization expenses of the Company's existing intangible assets for the next five years are as follows:

Year Ending December 31,	Amount
2013	$ 2,811
2014	2,538
2015	2,412
2016	2,385
2017	1,947
Thereafter	4,741
Total	$16,834

4. RESTRICTED CASH AND TIME DEPOSITS

Restricted cash and time deposits consist of the following:

	2012	2011
Time deposits	$1,006	$ —
Short-term security deposits under client contracts	660	—
Long-term security deposits under client contracts	—	2,082
Long-term deposits under employee loan programs	360	393
Long-term deposits under operating leases	107	107
Total	$2,133	$2,582

Included in time deposits as of December 31, 2012, was a bank deposit of $1,006 with remaining maturity of nine months from the reporting date which earned an interest rate of 2.95%. The Company doesn't intend to withdraw the deposit prior to its maturity.

At December 31, 2012 and 2011 short-term and long-term security deposits under client contracts included fixed amounts placed in respect of letters of credit and a bank guarantee intended to secure appropriate performance under respective contracts. The Company estimates the probability of non-performance under the contracts as remote, therefore, no provision for losses has been created in respect of these amounts as of December 31, 2012 and 2011.

Also included in restricted cash as of December 31, 2012 and 2011 were deposits of $360 and $393, respectively, placed in connection with certain employee loan programs (See Note 17).

5. PREPAID AND OTHER CURRENT ASSETS

Prepaid and other current assets consist of the following:

	2012	2011
Prepaid expenses	$3,825	$2,424
Taxes receivable	4,522	783
Prepaid equipment	1,695	—
Security deposits under operating leases	837	783
Unamortized software licenses and subscriptions	616	1,076
Employee loans	429	503
Due from employees	104	193
Tender guarantee deposit	—	422
Other	236	252

	2011	2011
Total	$12,264	$6,436

6. **PROPERTY AND EQUIPMENT — NET**

Property and equipment consists of the following:

	Useful Life	2012	2011
Computer hardware	3 years	$ 24,239	$ 19,145
Leasehold improvements	9 years	5,527	4,107
Purchased computer software	3 years	4,452	2,653
Furniture and fixtures	7 years	4,351	3,789
Office equipment	7 years	4,325	3,646
Building	50 years	16,534	16,534
Construction in progress (Note 17)	n/a	15,561	1,545
		74,989	51,419
Less accumulated depreciation and amortization		(21,854)	(15,937)
Total		$ 53,135	$ 35,482

Depreciation and amortization expense related to property and equipment was $9,858, $6,759 and $5,243 for the years ended December 31, 2012, 2011 and 2010, respectively.

7. **LONG-TERM DEBT**

Revolving Line of Credit — In November 2006, the Company entered into a revolving credit loan and security agreement (collectively “Credit Facility” or “Facility”) with a bank (the “Bank”). The Credit Facility is comprised of a five year revolving line of credit pursuant to which the Company can borrow up to $7,000 at any point in time based on borrowing availability, as defined, at LIBOR plus 1.25%. On July 25, 2011, the Company and the Bank agreed to amend the Facility to increase the borrowing capacity to $30,000. As of December 31, 2012 and 2011, the borrowing capacity was $28,124 and $30,000, respectively. The maximum borrowing availability under the Facility is based upon a percentage of eligible accounts receivable and US cash. The facility expires on October 15, 2013 (Note 18).

The Facility is collateralized by 85% of US trade receivables, as defined, and US cash representing the lesser of (a) available cash on hand, and (b) $10,000, $5,000 and $0 for the periods ended December 31, 2011 and 2012, and October 15, 2013, respectively. The Facility contains affirmative and negative covenants, including financial and coverage ratios. As of December 31, 2012 and 2011, the Company had no outstanding borrowing under the facility and was in compliance with all debt covenants as of that date (Note 18).

8. **ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses consist of the following:

	2012	2011
Compensation	$15,450	$17,768
Subcontractor costs	1,915	4,635
Professional fees	544	611
Facilities costs	297	189
Stock issue costs	—	411
Other	1,608	1,168
Total	$19,814	$24,782

9. **TAXES PAYABLE**

Taxes payable consist of the following:

	2012	2011
Corporate profit tax	$ 3,315	$1,918
Value added taxes	6,274	4,586
Payroll taxes and social security	4,968	2,208
Total	$14,557	$8,712

10. INCOME TAXES

Income before provision for income taxes shown below is based on the geographic location to which such income is attributed for years ended December 31:

	2012	2011	2010
Income before income tax expense:			
Domestic	$ 9,291	$ 2,872	$ 809
Foreign	56,572	49,920	30,286
Total	$65,863	$52,792	$31,095
Income tax expense (benefit) consists of:			
Current			
Federal	$ 6,881	$ 4,878	$ 2,918
State	319	389	160
Foreign	7,969	2,483	2,573
Deferred			
Federal	(625)	(1,629)	(1,016)
State	24	(72)	(76)
Foreign	(3,189)	2,390	(1,772)
Total	$11,379	$ 8,439	$ 2,787

Deferred tax assets and liabilities are provided for the effects of temporary differences between the tax basis of an asset and liability and its reported amount in the consolidated balance sheets. These temporary differences result in taxable or deductible amounts in future years.

The components of the Company's deferred tax assets and liabilities are as follows:

	2012	2011
Deferred tax assets:		
Fixed assets	$ 703	$ 771
Intangible assets	4,737	514
Accrued expenses	4,042	2,412
Net operating loss carryforward	—	18
Deferred revenue	1,583	1,847
Stock-based compensation	413	1,226
Valuation allowance	(489)	—
Restricted stock options	1,616	500
Other assets	1,214	862
Deferred tax assets	13,819	8,150
Deferred tax liabilities:		
Fixed assets	742	774
Accrued revenue and expenses	737	2,453
Deferred intercompany gain	405	663
Equity compensation	2,431	—
Other liabilities	—	20
Deferred tax liability	4,315	3,910
Net deferred tax asset	$ 9,504	$4,240

At December 31, 2012, the Company had current and non-current deferred tax assets of $6,593 and $6,093, respectively, and current and non-current tax liabilities of $491 and $2,691, respectively. At December 31, 2011, the Company had current and non-current deferred tax assets of $4,384 and $1,875, respectively and current and non-current tax liabilities of $1,736 and $283, respectively.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the amount of tax holiday the company can use in Hungary before the credit expires that jurisdiction in 2015. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth.

On the basis of this evaluation, as of December 31, 2012, a valuation allowance of $489 has been recorded to record only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as our projections for growth.

At December 31, 2012, the Company had utilized all of its federal net operating losses.

No provision has been made for U.S. or non-U.S. income taxes on the undistributed earnings of subsidiaries or for unrecognized deferred tax liabilities for temporary differences related to basis differences in investments in subsidiaries, as such earnings are expected to be permanently reinvested, the investments are essentially permanent in duration, or the Company has concluded that no additional tax liability will arise as a result of the distribution of such earnings. As of December 31, 2012, certain subsidiaries had approximately $188.7 million of undistributed earnings that we intend to permanently reinvest. A liability could arise if our intention to permanently reinvest such earnings were to change and amounts are distributed by such subsidiaries or if such subsidiaries are ultimately disposed. It is not practicable to estimate the additional income taxes related to permanently reinvested earnings or the basis differences related to investments in subsidiaries.

The provision for income taxes differs from the amount of income tax determined by applying the applicable US statutory federal income tax rate to pretax income as follows:

	2012	2011	2010
Statutory federal tax	$ 22,393	$ 18,482	$10,572
Increase (decrease) in taxes resulting from:			
State taxes, net of federal benefit	280	266	216
Provision adjustment for current year uncertain tax position	—	178	—
Effect of permanent differences	2,177	2,816	1,957
Stock compensation	1,165	—	—
Rate differential between U.S. and foreign	(14,472)	(13,297)	(9,947)
Change in foreign tax rate	148	(22)	101
Change in valuation allowance	(489)	—	—
Other	177	16	(112)
Income tax expense	$ 11,379	$ 8,439	$ 2,787

The growth in the permanent differences in the year ended December 31, 2012 related to increases in non-deductible expenses incurred by foreign subsidiaries. The growth in the permanent differences in the year ended December 31, 2011 related to goodwill impairment loss and increases in non-deductible expenses incurred by foreign subsidiaries.

On September 22, 2005, the president of Belarus signed the decree “On the High-Technologies Park” (the “Decree”). The Decree is aimed at boosting the country’s high-technology sector. The Decree stipulates that member technology companies have a 100% exemption from Belarusian income tax of 18% effective July 1, 2006. The Decree is in effect for a period of 15 years from date of signing.

The Company’s subsidiary in Hungary benefits from a tax credit of 10% of annual qualified salaries, taken over a four-year period, for up to 70% of the total tax due for that period. The Company has been able to take the full 70% credit for 2008 - 2012. The Hungarian tax authorities repealed the tax credit beginning with 2012. Credits earned in years prior to 2012, will be allowed until fully utilized. The Company anticipates full utilization up to the 70% limit until 2014, with full phase out in 2015.

The aggregate dollar benefits derived from these tax holidays approximated $8.5 million, $21.0 million and $9.0 million for the years ended December 31, 2012, 2011 and 2010, respectively. The decrease in aggregate dollar benefits derived from these tax holidays in 2012, as compared to 2011, was primarily due to a decrease in statutory tax rate in Belarus. The benefit the tax holiday had on diluted net income per share approximated $0.19, $0.49 and $0.22 for the years ended December 31, 2012, 2011 and 2010, respectively.

The liability for unrecognized tax benefits is included in income tax liability within the consolidated balance sheets at December 31, 2012 and 2011. At December 31, 2012 and 2011, the total amount of gross unrecognized tax benefits (excluding the federal benefit received from state tax positions) was $1,271 and $1,271, respectively, (excluding penalties and interest of $125 and $55, respectively). Of this total, $1,354 and $1,266, respectively, (net of the federal benefit on state tax issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate in future periods.

The Company's policy is to recognize interest and penalties related to uncertain tax positions as a component of its provision for income taxes. The total amount of accrued interest and penalties resulting from such unrecognized tax benefits was $125, $55 and $3 at December 31, 2012, 2011 and 2010, respectively.

The beginning to ending reconciliation of the gross unrecognized tax benefits are as follows:

	2012	2011	2010
Gross Balance at January 1	$1,271	$ 56	$ 274
Increases in tax positions in current year	—	178	—
Increases in tax positions in prior year	—	1,093	—
Decreases due to settlement	—	(56)	(218)
Balance at December 31	$1,271	$1,271	$ 56

There are no tax positions for which it is reasonably possible that unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date.

The Company files income tax returns in the United States and in various states, local and foreign jurisdictions. The Company's significant tax jurisdictions are the U.S. Federal, Pennsylvania, Canada, Russia, Denmark, Germany, Ukraine, the United Kingdom, Hungary, Switzerland and Kazakhstan. The tax years subsequent to 2009 remain open to examination by the Internal Revenue Service. Generally, the tax years subsequent to 2009 remain open to examination by various state and local taxing authorities and various foreign taxing authorities.

11. FAIR VALUE MEASUREMENTS

The Company accounts for certain assets and liabilities at fair value. The authoritative guidance defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The authoritative guidance also establishes a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The following table represents the Company's fair value hierarchy for its financial assets and liabilities as of December 31 2012, and 2011.

	Fair Value Measurements at December 31, 2012 Using		
	Level 1	Level 2	Level 3
Cash and cash equivalents	118,112	—	—
Time deposits and restricted cash	—	2,133	—
Employee loans	—	—	429
Total	**$ 118,112**	**$ 2,133**	**$ 429**

	Fair Value Measurements at December 31, 2011 Using		
	Level 1	Level 2	Level 3
Cash and cash equivalents	88,796	—	—
Time deposits and restricted cash	—	2,582	—
Employee loans	—	—	503
Total	**$ 88,796**	**$ 2,582**	**$ 503**

Cash and Cash Equivalents — are considered Level 1 measurements. For short-term financial assets such as cash and cash equivalents, the carrying amount is a reasonable estimate of fair value due to the relatively short time between the origination of the instrument and its expected realization.

Restricted cash and time deposits — are considered Level 2 measurements. Fair values of Level 2 measurements are determined by analyzing quoted prices for similar assets in an active market, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data. The carrying values of restricted cash and time deposits approximated their fair values as of December 31, 2012, and December 31, 2011.

Employee loans — are primarily comprised of short-term non-interest bearing relocation loans and are considered Level 3 measurements. The Comapny's Level 3, unobservable inputs reflect its assumptions about the factors that market participants use in pricing similar receivables, and are based on the best information available in the circumstances. Due to a short-term nature of employee loans, the carrying amount is a reasonable estimate of fair value due to the relatively short time between the origination of the instrument and its expected realization. During the years ended December 31, 2012 and 2011, the Company issued a total of $566 and $443 of loans to its employees, respectively, and received $640 and $372 in loan repayments during the same periods, respectively.

During the years ended December 31, 2012 and 2011, there were no transfers amongst Level 1, Level 2, or Level 3 financial assets and liabilities.

12. OPERATING SEGMENTS

The Company's reportable segments are: North America, Europe, Russia and Other. This determination is based on the unique business practices and market specifics of each region and that each region engages in business activities from which it earns revenues and incurs expenses. The Company's reportable segments are based on the allocation of managerial responsibility for its client base. Because managerial responsibility for a particular client relationship generally correlates with the client's geographic location, there is a high degree of similarity between client locations and the geographic boundaries of the Company's reportable segments. In some specific cases, however, managerial responsibility for a particular client is assigned to a management team in another region, usually based on the strength of the relationship between client executives and particular members of EPAM's senior management team. In a case like this, the client's activity would be reported through the management team's reportable segment.

The Company's Chief Operating Decision Maker (CODM) evaluates its performance and allocates resources based on segment revenues and operating profit. Segment operating profit is defined as income from operations before unallocated costs. Generally, operating expenses for each operating segment have similar characteristics and are subject to similar factors, pressures and challenges. Expenses included in segment operating profit consist principally of direct selling and delivery costs as well as an allocation of certain shared services expenses. Certain expenses are not specifically allocated to specific segments as management does not believe it is practical to allocate such costs to individual segments because they are not directly attributable to any specific segment. Further, stock based compensation expense is not allocated to individual segments in internal management reports used by the CODM. Accordingly, these expenses are separately disclosed as "unallocated" and adjusted only against the Company's total income from operations.

Revenues from external clients and segment operating profit, before unallocated expenses, for the North America, Europe, Russia and Other reportable segments were as follows for the years ended December 31:

	2012	2011	2010
Total segment revenues:			
North America	$197,271	$151,707	$110,179
Europe	168,913	123,510	68,420
Russia	50,552	46,219	31,388
Other	16,986	12,851	11,522
Total segment revenues	$433,722	$334,287	$221,509
Segment operating profit:			
North America	$ 38,671	$ 33,744	$ 28,496
Europe	32,750	25,098	15,057
Russia	9,049	10,445	3,119
Other	6,985	2,416	1,414
Total segment operating profit	$ 87,455	$ 71,703	$ 48,086

Intersegment transactions were excluded from the above on the basis they are neither included into the measure of a segment's profit and loss by the chief operating decision maker, nor provided to the chief operating decision maker on a regular basis.

Reconciliation of reportable segment revenues and operating profit to the consolidated income from operations for the years ended December 31 is presented below:

	2012	2011	2010
Total segment revenues	$433,722	$334,287	$221,509
Unallocated revenue	77	241	315
Revenues	$433,799	$334,528	$221,824

	2012	2011	2010
Total segment operating profit	$ 87,455	$ 71,703	$ 48,086
Unallocated Amounts:			
Other revenue	77	241	315
Stock-based compensation expense	(6,826)	(2,866)	(2,939)
Stock charge (Note 2)	(640)	—	—
Non-corporate taxes	(2,346)	(2,722)	(2,344)
Professional fees	(2,850)	(2,802)	(1,229)
Depreciation and amortization	(1,100)	(810)	(1,021)
Bank charges	(1,136)	(793)	(548)
Goodwill impairment loss (Note 3)	—	(1,697)	—
Legal settlement	—	—	(2,608)
Provision for bad debts	—	—	(265)
Other corporate expenses	(6,628)	(5,246)	(4,657)
Income from operations	66,006	55,008	32,790
Interest and other income, net	1,941	1,422	486
Foreign exchange loss	(2,084)	(3,638)	(2,181)
Income before provision for income taxes	$ 65,863	$ 52,792	$ 31,095

Geographic Area Information

Management has determined that it is not practical to allocate identifiable assets by segment since such assets are used interchangeably amongst the segments. Geographical information about the Company’s long-lived assets is based on physical location of the assets at the end of each of the years ended December 31:

	As of December 31, 2012	As of December 31, 2011
Belarus	$ 40,095	$ 26,001
Ukraine	5,357	4,314
Russia	3,234	2,011
United States	2,048	1,445
Hungary	1,744	1,108
Other	657	603
Total	$ 53,135	$ 35,482

Long-lived assets include property and equipment, net of accumulated depreciation and amortization.

Information about the Company’s revenues by client location for each of the three years ended December 31 was as follows:

	2012	2011	2010
United States	$197,593	$163,068	$117,027
United Kingdom	98,346	70,989	32,584
Russia	47,507	43,799	31,488
Switzerland	30,120	15,870	9,751
Germany	16,391	7,909	7,239
Kazakhstan	11,352	8,845	7,480
Canada	9,256	2,058	—
Sweden	4,913	5,292	3,034
Ukraine	4,733	891	924
Netherlands	3,127	4,031	5,399
Other locations	4,044	5,600	3,125
Reimbursable expenses and other revenues	6,417	6,176	3,773
Revenues	$433,799	$334,528	$221,824

Service Offering Information

Information about the Company’s revenues by service offering for each of the three years ended December 31 is as follows:

	Year Ended December 31,		
	2012	2011	2010
Software development	$290,139	$219,211	$149,658
Application testing services	85,849	67,840	44,459
Application maintenance and support	36,056	29,287	19,262
Infrastructure services	12,424	8,488	2,823
Licensing	2,914	3,526	1,849
Reimbursable expenses and other revenues	6,417	6,176	3,773
Revenues	$433,799	$334,528	$221,824

13. COMMON AND PREFERRED STOCK

On January 19, 2012, the Company effected an 8-to-1 stock split of the Company’s common stock, on which date the number of authorized common and preferred stock was increased to 160,000,000 and 40,000,000 shares, respectively. All shares of common stock, options to purchase common stock and per share information presented in the consolidated financial statements have been adjusted to reflect the stock split on a retroactive basis for all periods presented. There was no change in the par value of the Company’s common stock. The ratio by which the then outstanding shares of Series A-1 Preferred, Series A-2 Preferred and Series A-3 Preferred Stock were convertible into shares of common stock was adjusted to reflect the effects of the common stock split, such that each share of preferred stock was convertible into eight shares of common stock.

In February 2012, the Company completed an initial public offering of 6,900,000 shares of its common stock, which included 900,000 shares of common stock sold by the Company pursuant to an over-allotment option granted to the underwriters, which were sold at a price to the public of $12.00 per share. The offering commenced on February 7, 2012 and closed on February 13, 2012. Of the 6,900,000 shares of common stock sold, the Company issued and sold 2,900,000 shares of common stock and its selling stockholders sold 4,000,000 shares of common stock, resulting in gross proceeds to the Company of $34,800 and $28,969 in net proceeds after deducting underwriting discounts and commissions of $2,436 and offering expenses of $3,395. The Company did not receive any proceeds from the sale of common stock by the selling stockholders.

On August 20, 2010, the Company entered into an agreement with Instant Information Inc. to issue shares of common stock to Instant Information Inc. as consideration for the acquisition of the assets of Instant Information Inc. subject to achievement of certain financial milestones or upon completion of an initial public offering by the Company. A total of 53,336 shares of common stock were issued to Instant Information Inc. upon completion of the Company’s initial public offering for an aggregate value of $640, which was expensed during the first quarter of 2012 (Note 2).

Upon the closing of the initial public offering, all outstanding Series-A1 and Series-A2 convertible redeemable preferred stock, and Series A3 convertible preferred stock were converted into a total of 21,840,128 shares of common stock, as shown in the table below.

	Conversion Shares
Series A-1 Convertible Redeemable Preferred Stock	16,439,480
Series A-2 Convertible Redeemable Preferred Stock	3,078,432
Series A-3 Convertible Preferred Stock	2,322,216
Total	21,840,128

Series A-1 Convertible Redeemable Preferred Stock (“Series A-1 Preferred”) — On January 20, 2006, Siguler Guff LLC, a New York based private equity investment firm, acting through its affiliated

investment funds Russia Partners II LP (RPII) and Russia Partners EPAM Fund LP (RPE), purchased 657,354 shares of Series A-1 Preferred at $12.17 per share or $8,000. At the same time, RPII and RPE also acquired 11,180,648 shares of the Company's common stock from existing holders, and the Company enabled RPII and RPE to convert such shares into 1,397,581 shares of Series A-1 Preferred. The difference between the share price of the Series A-1 Preferred ($12.17 per share) and the common stock ($1.13 per share) exchanged of $6,803 has been recorded as a deemed dividend. The Company accreted the 12.5% compounded annual rate of return through April 15, 2010, in accordance with the redemption provision as detailed below. Annual accretion was $0, $0 and $1,432 for the years ended December 31, 2012, 2011 and 2010, respectively. The ending redemption value was $41,245 at December 31, 2011 and 2010.

The terms of the Series A-1 Preferred were as follows:

Dividends — No dividends will be paid on the Series A-1 Preferred unless dividends are paid on common stock.

Liquidation — Before any payment to the common stockholders, the Series A-1 Preferred will receive their purchase price of the Series A-1 Preferred ($12.17 per share) plus a 12.5% compounded annual rate of return on the purchase price.

If the assets distributable to the holders of the Series A Preferred upon a liquidation are insufficient to pay the full Series A-1, A-2 and A-3 Preferred liquidation amounts, then such assets or the proceeds shall be distributed among the holders of the Series A-1, A-2 and A-3 Preferred ratably in proportion to the respective amount to which they otherwise would be entitled.

The liquidation amount is equal to the carrying value for all periods presented.

Redemption — At any time after January 1, 2011, if the Company has not affected a qualified public offering, as defined, the holders of at least a majority of the then outstanding shares of Series A-1 Preferred, voting together as a separate class, may by written request, require the Company to redeem all or any number of shares of the Series A-1 Preferred in four equal semi-annual installments beginning thirty calendar days from the date of the redemption election and ending on the date one and one-half years after such date. The Company shall affect such redemptions on the applicable redemption date by paying in cash in exchange for each share of Series A-1 Preferred to be redeemed then outstanding an amount equal to the Series A-1 Preferred liquidation amount ($12.17 per share plus a 12.5% compounded annual rate of return) on such redemption date.

Pursuant to section 6.8 of the Series A-3 convertible preferred stock purchase agreement, the 12.5% compounded annual return related to the Series A-1 Preferred, which has been part of the Series A-1 liquidation amount, ceases after the date of issuance of the Series A-3 Preferred. EPAM terminated the accretion related to this liquidation amount on or about April 15, 2010.

Voting — Each holder of a share of Series A-1 Preferred shall be entitled to voting rights and powers equal to the voting rights and powers of the common stock (except as otherwise expressly provided or as required by law) voting together with the common stock as a single class on an as-converted to common stock basis. Each share of Series A-1 Preferred (including fractional shares) shall be entitled to one vote for each whole share of common stock that would be issuable upon conversion of such shares on the record date for determining eligibility to participate in the action being taken.

Conversion Rights — Any holder of Series A-1 Preferred may convert any share of Series A-1 Preferred held by such holder into a number of shares of common stock determined by dividing (i) the Series A-1 Preferred purchase price ($12.17 per share) by (ii) the Series A-1 conversion price then in effect. The initial conversion price for the Series A-1 Preferred (the "Series A-1 Conversion Price") shall be equal to the purchase price ($12.17 per share). The Series A-1 Conversion Price from time to time in effect is subject to adjustment, as defined. Each share of Series A-1 Preferred shall automatically be converted into shares of common stock at the then effective applicable Series A-1 Conversion Price upon the earliest of (i) the date specified by vote or written consent or agreement of holders of at least a majority of the shares of Series A-1 Preferred then outstanding, (ii) effective immediately before a qualified public offering, as defined, or (iii) effective upon the closing of a liquidation or a reorganization event, as defined, that results in the receipt of a per share amount of cash proceeds or non-cash property valued equal to or greater than the Series A-1 Preferred liquidation amount, as defined.

Series A-2 Convertible Redeemable Preferred Stock ("Series A-2 Preferred") — On February 19, 2008, the Company completed a private placement and raised net proceeds of $47,601 ($50,000 gross less $2,399 costs) from the sale of 675,081 shares of Series A-2 Preferred at a sale price of $74.07 per share. Annual

accretion was $0, $17,563 and $0 for the years ended December 31, 2012, 2011 and 2010, respectively. The ending carrying value was $0, $44,695 and $27,132 at December 31, 2012, 2011 and 2010, respectively.

In connection with this private placement, the Company designated the Series A-2 Preferred as a new series of preferred stock and renamed the existing series of shares of Series A preferred stock as Series A-1 Preferred.

On January 19, 2010, the Company entered into a stock repurchase agreement with certain stockholders to repurchase 290,277 of Series A-2 Convertible Redeemable Preferred Stock at a per share price of $51.85 for a total consideration of $15,050. On November 10, 2010, Board of Directors of the Company voted to retire these shares.

The Series A-2 Preferred shares had the following rights and preferences:

Dividends — No dividends will be paid on the Series A-2 Preferred unless dividends are paid on common stock.

Liquidation — Before any payment to the common stockholders, the Series A-2 Preferred holders will receive their liquidation preference.

In the event of any liquidation that values 100% of the equity securities of the Company on a fully-diluted basis at an amount that is less than the Series A-2 post-money valuation, as defined, the holders of shares of Series A-2 Preferred shall be entitled to receive either their per share purchase price of the Series A-2 Preferred ($74.07) plus a 12.5% compounded annual rate of return if the purchase price is less than the percentage ceiling amount, defined for purposes of liquidation as 17.1% of cash proceeds or non-cash property received by the Company in the event of any liquidation, or the greater of (1) $74.07 per share and (2) the percentage ceiling amount.

In the event of liquidation that values 100% of the equity securities of the Company on a fully-diluted basis at an amount that is equal to or greater than the Series A-2 post-money valuation, as defined, the holders of shares of Series A-2 Preferred shall be entitled to receive either their per share purchase price of the Series A-2 Preferred ($74.07) plus a 12.5% to 18% compounded annual rate of return on the purchase price, if greater than the percentage ceiling amount, or the percentage ceiling amount.

If the assets distributable to the holders of the Series A Preferred upon a liquidation are insufficient to pay the full Series A-1, A-2 and A-3 Preferred liquidation amounts, then such assets or the proceeds shall be distributed among the holders of the Series A-1, A-2 and A-3 Preferred ratably in proportion to the respective amount to which they otherwise would be entitled.

Redemption — At any time before January 1, 2011, if the Company has not effected a qualified public offering, as defined, the holders of at least a majority of the then outstanding shares of Series A-2 Preferred, may, by written request, require the Company to redeem all or any number of shares of the Series A-2 Preferred in three equal installments payable no later than the 12th, 18th and 24th month following the date of the redemption election. The Company shall effect such redemptions on the applicable redemption date by paying in cash in exchange for each shares of Series A-2 Preferred to be redeemed then outstanding, a per share amount equal to the lesser of (x) an amount that would provide a compounded annual return of 12.5% from the date of initial issuance date and (y) the percentage ceiling amount. At any time on or after January 1, 2011, the redemption per share amount is equal to the lesser of (x) the hurdle amount, an amount that would provide an annual IRR, as defined, from the initial issuance date of such share of at least 17%, provided, however, that the hurdle amount, as defined, shall cease to compound after December 31, 2010 and (y) the percentage ceiling amount, as defined. The percentage ceiling amount means, initially, 17.1% and thereafter adjusted pro rata for any changes in the percentage of capital stock of the Company owned by the holders of shares of Series A-2 Preferred (on a fully diluted basis) multiplied by the aggregate value of all Common Stock (assuming conversion of the Series A Preferred) as reasonably determined by the Board in good faith.

Voting — Each holder of a Series A-2 Preferred shall be entitled to voting rights and powers equal to the voting rights and powers of common stock (except as otherwise expressly provided or as required by law) voting together with the common stock as a single class on an as-converted to common stock basis. Each share of Series A-2 Preferred (including fractional shares) shall be entitled to one vote for each whole share of common stock that would be issuable upon conversion of such shares on the record date for determining eligibility to participate in the action being taken.

Conversion rights — Any holder of Series A-2 Preferred may convert any share of Series A-2 Preferred held by such holder into a number of shares of common stock determined by dividing (i) the Series A-2 Preferred purchase price ($74.07 per share) by (ii) the Series A-2 conversion price then in effect. The initial conversion price for the Series A-2 Preferred (the "Series A-2 Conversion Price") shall be equal to the purchase price ($74.07 per share). The Series A-2 Conversion Price from time in effect is subject to adjustment, as defined. Each share of Series A-2 Preferred shall automatically be converted into shares of common stock at the then effective applicable Series A-2 Conversion Price upon the earliest of (i) the date specified by vote or written consent or agreement of holders of at least a majority of the shares of Series A-2 Preferred then outstanding, (ii) effective immediately before a qualified public offering, as defined. or (iii) effective upon the closing of a liquidation or a reorganization event, as defined, that results in the receipt per share of amount of cash proceeds or non-cash property valued equal to or greater than, the lesser of (x) their purchase price of the Series A-2 Preferred ($74.07 per share) plus a 12.5% compounded annual rate of return on the purchase price and (y) the percentage ceiling amount, as defined.

Registration Rights — The holders of at least majority of the Series A-2 Preferred holders, may, by written request, require the Company to file a registration statement with certain limitations.

Series A-3 Convertible Preferred Stock ("Series A-3 Preferred") — On April 15, 2010, the Company created and issued 290,277 shares of Series A-3 Preferred at $51.85 per share, for a total consideration of $14,971, net of costs.

The Series A-3 Preferred had the following rights and preferences:

Dividends — No dividends will be paid on the Series A-3 Preferred unless dividends are paid on common stock.

Liquidation — Before any payment to the common stockholders, the Series A-3 Preferred holders will receive their liquidation preference.

In the event of liquidation that values 100% of the equity securities of the Company on a fully-diluted basis at an amount that is equal to or greater than the Series A-3 liquidation amount, as defined, the holders of shares of Series A-3 Preferred shall be entitled to receive their pro rata portion based on the per share amount available to common stockholders.

If the assets distributable to the holders of the Series A Preferred upon a liquidation are insufficient to pay the full Series A-1, A-2 and A-3 Preferred liquidation amounts, then such assets or the proceeds shall be distributed among the holders of the Series A-1, A-2 and A-3 Preferred ratably in proportion to the respective amount to which they otherwise would be entitled.

The liquidation amount is equal to the carrying value for all periods presented.

Voting — Each holder of a Series A-3 Preferred shall be entitled to voting rights and powers equal to the voting rights and powers of common stock (except as otherwise expressly provided or as required by law) voting together with the common stock as a single class on an as-converted to common stock basis. Each share of Series A-3 Preferred (including fractional shares) shall be entitled to one vote for each whole share of common stock that would be issuable upon conversion of such shares on the record date for determining eligibility to participate in the action being taken.

Conversion rights — Any holder of Series A-3 Preferred may convert any share of Series A-3 Preferred held by such holder into a number of shares of common stock determined by dividing (i) the Series A-3 Preferred purchase price ($51.85 per share) by (ii) the Series A-3 conversion price then in effect. The initial conversion price for the Series A-3 Preferred (the "Series A-3 Conversion Price") shall be equal to the purchase price ($51.85 per share). The Series A-3 Conversion Price from time in effect is subject to adjustment, as defined. Each share of Series A-3 Preferred shall automatically be converted into shares of common stock at the then effective applicable Series A-3 Conversion Price upon the earliest of (i) the date specified by vote or written consent or agreement of holders of at least a majority of the shares of Series A-3 Preferred then outstanding, (ii) effective immediately before a qualified public offering, as defined, or (iii) effective upon the closing of a liquidation or a reorganization event, as defined.

Registration Rights — The holders of at least a majority of the Series A-3 Preferred holders, may, by written request, require the Company to file a registration statement with certain limitations.

Puttable Stock — As part of consideration paid in business combinations, the Company issued common stock to certain stockholders of the acquired companies. The shares had an attached Put Option that provided the holders with the right to put the shares at the original per share value in the event the Company did not have a qualified public offering or reorganization event within a specified period from the acquisition date. The Company issued 0 shares for the years ended December 31, 2012 and 2011, and 44,304 shares for the year ended December 31, 2010, respectively. During 2011, put options in respect of 56,896 of puttable common stock expired unexecuted.

During 2010, the Company purchased 114,432 shares of puttable common stock, at a cost of $932, in connection with the execution of a stockholder put option.

Treasury Stock — On December 18, 2012, the Company used treasury stock to issue a total of 326,344 shares of common stock in connection with the acquisition of Empathy Lab. On May 25, 2012, the Company used treasury stock to issue a total of 434,546 shares of common stock in connection with the acquisition of Thoughtcorp, Inc. (Note 2).

In May 2012, Board of Directors of the Company voted to retire 38,792 shares of its treasury stock.

14. STOCK COMPENSATION

The following costs related to the Company's stock compensation plans are included in the consolidated statements of income and comprehensive income:

	2012	2011	2010
Cost of revenues	$2,809	$1,365	$1,314
Selling, general and administrative	4,017	1,501	1,625
Total	$6,826	$2,866	$2,939

On January 16, 2012, the Company issued 194,800 shares of non-vested ("restricted") common stock to Mr. Robb, President of EU Operations and Executive Vice President. These restricted shares vested 25% on January 16, 2012, and are scheduled to vest 25% on each of January 1, 2013, 2014, and 2015. On termination of Mr. Robb's service to the Company with Cause or without Good Reason (in each case, as defined in the award agreement), any unvested restricted shares will be forfeited. In addition, under the restricted stock award agreement, Mr. Robb is subject to perpetual confidentiality and non-disclosure obligations as well as non- competition and employee and customer non-solicitation obligations that survive for a period of 12 months after the termination of his service to the Company. Fair market value of these restricted shares on the date of grant was $2,338. The stock-based compensation charge related to the shares granted for the year ended December 31, 2012, was $1,169.

On May 25, 2012, the Company issued 217,272 shares of non-vested stock ("restricted") common stock in connection with the acquisition of Thoughtcorp (Note 2). The shares vest 50% on each of the first and second anniversaries of the Closing Date. Upon termination of the Sellers' services to the Company with Cause or without Good Reason (in each case, as defined in the escrow agreement), any unvested shares will be forfeited. Fair value of these shares on the date of grant was $3,607. The stock-based compensation charge related to the shares granted for the year ended December 31, 2012, was $1,096.

On December 18, 2012, the Company issued 326,344 shares of non-vested ("restricted") common stock in connection with the acquisition of Empathy Lab (Note 2). The shares vest 33.33% on each of the first, second and third anniversaries of the Closing Date. Upon termination of the recipients' services to the Company with Cause or without Good Reason (in each case, as defined in the escrow agreement), any unvested shares will be forfeited. Fair value of these shares on the date of grant was $6,755. The stock-based compensation charge related to the shares granted for the year ended December 31, 2012, was $79.

2012 Non-Employee Directors Compensation Plan — On January 11, 2012 the Company approved the 2012 Non-Employee Directors Compensation Plan ("2012 Directors Plan"), which will be used to issue equity grants to its non-employee directors. The Company authorized 600,000 shares of common stock to be reserved for issuance under the plan. The 2012 Directors Plan will expire after ten years and will be administered by the Company's board of directors.

On January 18, 2012, the Company issued 11,764 shares of non-vested ("restricted") common stock to its non-employee directors under the 2012 Directors Plan. The shares will vest and become non-forfeitable 25% on each of the first four anniversaries of the grant date. On termination of service from the Board at any time, a portion of restricted shares shall vest as of the date of such termination on a pro rata basis, determined by the number of days that the participant served on the Board from the grant date through the date of such termination. Fair market value of these restricted shares on the date of grant was $141. The stock-based compensation charge related to the shares granted for the year ended December 31, 2012, was $34.

On April 5, 2012, the Company granted 7,092 shares of non-vested ("restricted") stock to its non-employee directors under the 2012 Non-Employee Director Compensation Plan. The restricted stock vests and becomes 100% non-forfeitable on the first anniversary of the grant date. Upon termination of service from the Board at any time, a portion of the restricted stock shall vest as of the date of such termination on a pro rata basis for the number of days that the participant served on the Board from the grant date through the date of such termination. The fair market value of the restricted stock on date of grant was $150. The stock-based compensation charge related to the shares granted for the year ended December 31, 2012, was $111.

2012 Long-Term Incentive Plan — On January 11, 2012 the Company approved the 2012 Long-Term Incentive Plan ("2012 Plan"), which will be used to issue equity grants to employees. The Company authorized 9,246,800 shares of common stock to be reserved for issuance under the plan. This is in addition to 733,808 shares that remained available for issuance under the 2006 Plan as of January 11, 2012 and which are available for issuance under the 2012 Plan. In addition, up to 4,916,394 shares that are subject to outstanding awards as of December 31, 2012, under the 2006 Plan and that expire or terminate for any reason prior to exercise or that would otherwise return to the 2006 Plan's share reserve will be available for awards to be granted under the 2012 Plan.

During the year ended December 31, 2012, the Company issued 1,443,810 options to purchase common stock under the 2012 Plan with an aggregate grant date fair value of $10,870.

As of December 31, 2012, a total of 8,726,293 shares remained available for issuance under the 2012 Plan.

2006 Stock Option Plan — Effective May 31, 2006, the Board of Directors of the Company adopted the 2006 Stock Option Plan (the "2006 Plan"). The Company's stock option plan permitted the granting of options to directors, employees, and certain independent contractors. The Compensation Committee of the Board of Directors generally had the authority to select individuals who were to receive options and to specify the terms and conditions of each option so granted, including the number of shares covered by the option, the exercise price, vesting provisions, and the overall option term. In January 2012, the 2006 Plan was discontinued; however, a total of 859,808 shares remain available for issuance under the 2012 Plan as of December 31, 2012. All of the options issued pursuant to the 2006 Plan expire ten years from the date of grant.

Stock option activity under the Company's plans is set forth below:

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at January 1, 2010	**3,827,312**	**$ 2.30**	**$ 13,277**
Options granted	2,774,952	5.77	3,064
Options exercised	(5,600)	4.63	(13)
Options forfeited/cancelled	(218,080)	2.98	(850)
Options outstanding at December 31, 2010	**6,378,584**	**$ 3.79**	**$ 19,708**
Options granted	600,000	14.00	1,200
Options exercised	(47,600)	1.52	(499)
Options forfeited/cancelled	(335,848)	5.30	(2,250)
Options outstanding at December 31, 2011	**6,595,136**	**$ 4.65**	**$ 48,447**
Options granted	1,443,810	16.80	1,877
Options exercised	(1,552,742)	3.53	(22,623)
Options forfeited/cancelled	(189,495)	11.35	(1,279)
Options outstanding at December 31, 2012	**6,296,709**	**$ 7.51**	**$ 66,682**
Options vested and exercisable at December 31, 2012	3,708,466	$ 3.72	$ 53,328

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Options expected to vest	2,432,143	$ 12.84	$ 12,793

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. The Company recognizes the fair value of each option as compensation expense ratably using the straight-line method over the service period (generally the vesting period). The Black-Scholes model incorporates the following assumptions:

a. *Expected volatility* — the Company estimated the volatility of its common stock at the date of grant using historical volatility of peer public companies for the years ended December 31, 2011 and December 31, 2010. In order to compare volatilities for different interval lengths, the Company expresses volatility in annual terms. The Company applied the same approach regarding the stock options issued in 2012 due to insufficiency of historical volatility data of its stock prices at the time of grant. The expected volatility was 46%, 43% and 43% in 2012, 2011 and 2010, respectively.

b. *Expected term* — the Company estimates the expected term of options granted using the simplified method of determining expected term as outlined in SEC Staff Accounting Bulletin 107 as used for grants. The expected term was 6.25 years in 2012, 2011 and 2010.

c. *Risk-free interest rate* — the Company estimates the risk-free interest rate using the U.S. Treasury yield curve for periods equal to the expected term of the options in effect at the time of grant. The risk-free rate was approximately 1.13%, 2.05% and 1.78% in 2012, 2011 and 2010.

d. *Dividends* — the Company uses an expected dividend yield of zero since it has never declared or paid any dividends on its common stock. The Company intends to retain any earnings to fund future growth and the operation of its business and, therefore, does not anticipate paying any cash dividends in the foreseeable future.

Additionally, the Company estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. It uses a combination of historical data and other factors to estimate pre-vesting option forfeitures and record share-based compensation expense only for those awards that are expected to vest.

As of December 31, 2012 there was $23,449 of total unrecognized compensation cost related to non-vested share-based compensation awards. That cost is expected to be recognized over the next two years using the weighted average method.

During the fourth quarter of 2010, the Company modified certain parameters pertaining to the stock option award issued on August 13, 2010. Summary of the key terms of the modification follows:

	After modification	Before modification
Number of grantees	20	20
Number of options granted	604,960	552,000
Strike price	$ 6.88	$ 4.63

The modification had no impact on the estimated costs related to the stock options issued on August 13, 2010.

Summary of restricted stock activity as of December 31, 2012, and changes during the years ended December 31 is presented below:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Unvested restricted stock outstanding at January 1, 2010	**—**	**$ —**
Restricted stock granted	—	—
Restricted stock vested	—	—

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Unvested restricted stock outstanding at December 31, 2010	**—**	**$ —**
Restricted stock granted	—	—
Restricted stock vested	—	—
Unvested restricted stock outstanding at December 31, 2011	**—**	**$ —**
Restricted stock granted	757,272	17.15
Restricted stock vested	(97,400)	12.00
Unvested restricted stock outstanding at December 31, 2012	**659,872**	**$ 17.92**

15. EARNINGS PER SHARE

Basic EPS is computed by dividing the net income applicable to common stockholders for the period by the weighted average number of shares of common stock outstanding during the same period. Our Series A-1 Preferred, Series A-2 Preferred, Series A-3 Preferred, restricted stock units and puttable common stock were considered participating securities since these securities had non-forfeitable rights to dividends or dividend equivalents during the contractual period of the award and thus required the two-class method of computing EPS. When calculating diluted EPS, the numerator is computed by adding back the undistributed earnings allocated to the participating securities in arriving at the basic EPS and then reallocating such undistributed earnings among the company's common stock, participating securities and the potential common shares that result from the assumed exercise of all dilutive options. The denominator is increased to include the number of additional common shares that would have been outstanding had the options been issued.

The following table sets forth the computation of basic and diluted earnings per share as follows:

	2012	2011	2010
Numerator for common earnings per share:			
Net income	$54,484	$ 44,353	$ 28,308
Accretion of preferred stock	—	(17,563)	(1,432)
Net income allocated to participating securities	(3,341)	(15,025)	(17,984)
Effect on income available from redemption of preferred stock	—	—	5,418
Numerator for basic (common) earnings per share	51,143	11,765	14,310
Effect on income available from reallocation of options	261	1,185	996
Numerator for diluted (common) earnings per share	$51,404	$ 12,950	$ 15,306
Numerator for (puttable common) earnings per share:			
Net income allocated to basic (puttable common)	—	26	118
Effect on income available from reallocation of options	—	(12)	(7)
Numerator for diluted (puttable common) earnings per share	—	14	111
Denominator for basic (common) earnings per share:			
Weighted average common shares outstanding	40,190	17,094	17,056
Effect of dilutive securities:			
Stock options	3,631	3,379	2,258
Denominator for diluted (common) earnings per share	43,821	20,473	19,314
Denominator for basic and diluted (puttable common) earnings per share:			
Weighted average puttable common shares outstanding	—	18	141
Earnings per share:			
Basic (common)	$ 1.27	$ 0.69	$ 0.84
Basic (puttable common)	$ —	$ 1.42	$ 0.84
Diluted (common)	$ 1.17	$ 0.63	$ 0.79
Diluted (puttable common)	$ —	$ 0.77	$ 0.79
Excluded Options due to Anti-Dilutive	1,534	572	1,803

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16. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly results for the two years ended December 31, 2012 and 2011 are as follows:

2012	Three Months Ended March 31	June 30	September 30	December 31	Full Year
Revenues	**$94,383**	**$103,800**	**$ 110,078**	**$ 125,538**	**$433,799**
Operating expenses:					
Cost of revenues (exclusive of depreciation and amortization)	60,175	63,803	69,099	77,284	270,361
Selling, general and administrative expenses	17,627	20,711	21,153	26,377	85,868
Depreciation and amortization expense	2,211	2,423	3,040	3,208	10,882
Other operating expenses, net	586	33	50	13	682
Income from operations	**13,784**	**16,830**	**16,736**	**18,656**	**66,006**
Interest and other income, net	476	460	486	519	1,941
Foreign exchange gain/(loss)	80	(1,394)	(635)	(135)	(2,084)
Income before provision for income taxes	**14,340**	**15,896**	**16,587**	**19,040**	**65,863**
Provision for income taxes	2,241	2,575	2,522	4,041	11,379
Net income	**$12,099**	**$ 13,321**	**$ 14,065**	**$ 14,999**	**$ 54,484**
Comprehensive income	**$13,711**	**$ 10,857**	**$ 16,769**	**$ 15,640**	**$ 56,977**
Basic net income per share(1)	**$ 0.30**	**$ 0.31**	**$ 0.33**	**$ 0.35**	**$ 1.27**
Diluted net income per share(1)	**$ 0.27**	**$ 0.29**	**$ 0.30**	**$ 0.32**	**$ 1.17**

(1) Earnings per share amounts for each quarter may not necessarily total to the yearly earnings per share due to the weighting of shares outstanding on a quarterly and year-to-date basis.

2011	Three Months Ended March 31	June 30	September 30	December 31	Full Year
Revenues	**$72,802**	**$ 80,176**	**$ 86,423**	**$ 95,127**	**$334,528**
Operating expenses:					
Cost of revenues (exclusive of depreciation and amortization)	45,505	48,816	51,627	59,388	205,336
Selling, general and administrative expenses	13,793	16,805	15,822	18,510	64,930
Depreciation and amortization expense	1,690	1,959	2,083	1,806	7,538
Goodwill impairment loss	—	1,697	—	—	1,697
Other operating expenses, net	2	21	—	(4)	19
Income from operations	**11,812**	**10,878**	**16,891**	**15,427**	**55,008**
Interest and other income, net	187	428	385	422	1,422
Foreign exchange loss	(134)	(703)	(2,301)	(500)	(3,638)
Income before provision for income taxes	**11,865**	**10,603**	**14,975**	**15,349**	**52,792**
Provision for income taxes	2,123	2,326	1,025	2,965	8,439
Net income	**$ 9,742**	**$ 8,277**	**$ 13,950**	**$ 12,384**	**$ 44,353**
Comprehensive income	**$10,993**	**$ 8,445**	**$ 12,130**	**$ 11,535**	**$ 43,103**
Basic net income/(loss) per share(1)	**$ 0.19**	**$ (0.41)**	**$ 0.36**	**$ 0.32**	**$ 0.69**
Diluted net income/(loss) per share(1)	**$ 0.18**	**$ (0.41)**	**$ 0.33**	**$ 0.29**	**$ 0.63**

(1) Earnings per share amounts for each quarter may not necessarily total to the yearly earnings per share due to the weighting of shares outstanding on a quarterly and year-to-date basis.

17. COMMITMENTS AND CONTINGENCIES

Leases — The Company leases office space under operating leases, which expire at various dates through 2019. Certain leases contain renewal provisions and generally require the Company to pay utilities, insurance, taxes, and other operating expenses. Rent expense under operating lease agreements for the years ended December 31, 2012, 2011 and 2010 was $11,594, $8,522, and $6,724 respectively. Future minimum rental payments under operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2012 are as follows:

Year ending December 31,	Operating Leases
2013	$ 10,505
2014	6,646
2015	3,457
2016	2,415
2017	1,607
Thereafter	1,884
Total minimum lease payments	$ 26,514

Employee Loan Program — Beginning in third quarter of 2006, the Company started to guarantee bank loans for certain of its key employees. Under the conditions of the guarantees, the Company is required to maintain a security deposit of 30% of the value of loans outstanding at each reporting date. While the program has been discontinued, total commitment of the Company under these guarantees remains at $492 as of December 31, 2012. The Company estimates a probability of material losses under the program as remote, therefore, no provision for losses was recognized for the years ended December 31, 2012, 2011 and 2010.

Construction in progress — On December 7, 2011, the Company entered into an agreement with IDEAB Project Eesti AS for approximately $17,209 for the construction of a 14,071 square meter office building within the High Technologies Park in Minsk, Belarus. During the year ended December 31 2012, total expected construction cost was increased to approximately $19,591. The building is expected to be operational in the first half of 2013. As of December 31, 2012, total outstanding commitment of the Company was $5,325.

Corporate Facilities — In June 2012, the Company entered into an agreement for the construction of 12 corporate apartments located within the High Technology Park in Minsk, Belarus. During the third quarter of 2012, the agreement was amended and the number of apartments was increased to 26. As of December 31, 2012, total construction cost is estimated at $988. The Company's outstanding commitment as of December 31, 2012 was approximately $717. The construction is expected to be completed in 2013. The Company intends to use the apartments for general business purposes.

Employee Housing Program — In the third quarter of 2012, the Board of Directors of the Company approved the Employee Housing Program ("the Housing Program"), which assists employees in purchasing housing in Belarus. The Company does not bear any market risk in connection with the Housing Program as the housing will be sold directly to employees by independent third parties. As part of the Housing Program, the Company will extend financing to employees up to an aggregate amount of $10,000. The loans will be issued in U.S. Dollars with a 5 year term and bear an interest rate of 7.5% which is below the market interest rate in Belarus. The Housing Program was designed to be a retention mechanism for the Company's employees in Belarus and will be available to full-time employees who have been with the Company for at least three years. As of December 31, 2012, the Company's total outstanding commitment under the Housing Program was $6,179.

Litigation — From time to time, the Company is involved with litigation, claims or other contingencies. Management is not aware of any such matters, except as described below, that would have a material effect on the consolidated financial statements of the Company.

In September 2010, the Company entered into a Settlement Agreement and Release ("Agreement") with a former officer and their related parties (the "Plaintiffs"). In consideration and exchange for the releases, promises, and other covenants given by the Plaintiffs in this agreement, and for the purchase by the Company of all the EPAM common stock held by the Plaintiffs, the Company agreed to make a one-time aggregate cash payment of $9 million to the Plaintiffs. The Company has determined that the fair value of 986,352 shares of common stock at the time of settlement was $6.48 per share, or roughly $6.4 million, which was recorded as treasury stock within Stockholders' Equity. The remaining amount of $2.6 million was recorded as a current period expense within other operating expenses. Subsequently, the Company reissued 673,184 shares to the existing A-3 stockholders at $6.48 per share, and 313,168 shares to existing A-2 stockholders also at $6.48 per share.

18. SUBSEQUENT EVENTS

On January 8, 2013, the Company issued 5,257 shares of non-vested ("restricted") stock to its new non-employee director under the 2012 Non-Employee Directors Compensation Plan. The shares will vest and become unforfeitable 25% on each of the first, second, third and fourth anniversaries of the grant date. Upon termination of service from the Board at any time, a portion of these shares shall vest as of the date of such termination on a pro rata basis determined by the number of days that the participant served on the Board from the grant date through the date of such termination. The fair value of the restricted shares at the time of grant was $101.

On January 15, 2013, the Company and the Bank entered into a new revolving loan agreement (2013 Credit Facility) (Note 7). The new agreement increased the Company's maximum borrowing capacity to $40,000 and extended maturity to January 15, 2015. The 2013 Credit Facility is collaterized with: (a) all tangible and intangible assets of EPAM Systems, Inc., a Delaware Corporation, and its U.S.-based subsidiaries including all accounts, general intangibles, intellectual property rights, equipment; and (b) all of the outstanding shares of capital stock and other equity interests in U.S.-based subsidiaries of EPAM

Systems, Inc., a Delaware Corporation, and 65% of the outstanding shares of capital stock and other equity interests in certain of the Company's foreign subsidiaries.

Beginning January 2013, the Company started issuing loans under its Employee Housing Program (Note 17).

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EXHIBIT INDEX

Exhibit Number	Description
3.1	Certificate of incorporation (incorporated herein by reference to Exhibit 3.1 to the Company's Form 10-K for the fiscal year ended December 31, 2011, SEC File No. 001-35418, filed March 30, 2012 (the "2011 Form 10-K"))
3.2	Bylaws (incorporated herein by reference to Exhibit 3.2 to the 2011 Form 10-K)
4.1	Form of Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to Amendment No. 6 to Form S-1, SEC File No. 333-174827, filed January 23, 2012 ("Amendment No. 6"))
4.2	Amended and Restated Registration Rights Agreement dated February 19, 2008 (incorporated herein by reference to Exhibit 4.2 to Form S-1, SEC File No. 333-174827, filed June 10, 2011 (the "Registration Statement"))
4.3	Registration Rights Agreement dated April 26, 2010 (incorporated herein by reference to Exhibit 4.3 to the Registration Statement)
10.1	Revolving line of credit between EPAM Systems, Inc. and PNC Bank, National Association dated November 22, 2006 (incorporated herein by reference to Exhibit 10.1 to the Registration Statement)
10.2	Security Agreement between EPAM Systems, Inc. and PNC Bank, National Association dated November 22, 2006 (incorporated herein by reference to Exhibit 10.2 to the Registration Statement)
10.3	Borrowing Base Rider between EPAM Systems, Inc. and PNC Bank, National Association dated November 22, 2006 (incorporated herein by reference to Exhibit 10.3 to the Registration Statement)
10.4	First Amendment to loan documents between EPAM Systems, Inc. and PNC Bank, National Association dated September 30, 2010 (incorporated herein by reference to Exhibit 10.4 to the Registration Statement)
10.5	Amended and Restated Committed Line of Credit Note dated September 30, 2010 (incorporated herein by reference to Exhibit 10.5 to the Registration Statement)
10.6	EPAM Systems, Inc. Amended and Restated 2006 Stock Option Plan (incorporated herein by reference to Exhibit 10.6 to Amendment No. 6)
10.7	Form of EPAM Systems, Inc. 2006 Stock Option Plan Award Agreement (under the EPAM Systems, Inc. Amended and Restated 2006 Stock Option Plan) (incorporated herein by reference to Exhibit 10.7 to Amendment No. 6)
10.8	Second Amendment to loan documents between EPAM Systems, Inc. and PNC Bank, National Association dated July 25, 2011 (incorporated by reference to Exhibit 10.11 to Amendment No. 3 to Form S-1, SEC File No. 333-17482, filed September 26, 2011("Amendment No. 3"))
10.9	Second Amended and Restated Committed Line of Credit Note dated July 25, 2011 (incorporated by reference to Exhibit 10.12 to Amendment No. 3)
10.10	EPAM Systems, Inc. 2012 Long Term Incentive Plan (incorporated herein by reference to Exhibit 10.12 to Amendment No. 6)
10.11	Form of Senior Management Non-Qualified Stock Option Award Agreement (under the EPAM Systems, Inc. 2012 Long Term Incentive Plan) (incorporated herein by reference to Exhibit 10.13 to Amendment No. 6)
10.12	Restricted Stock Award Agreement by and between Karl Robb and EPAM Systems, Inc. dated January 16, 2012 (incorporated herein by reference to Exhibit 10.14 to Amendment No. 6)
10.13	EPAM Systems, Inc. 2012 Non-Employee Directors Compensation Plan (incorporated herein by reference to Exhibit 10.15 to Amendment No. 6 to Form S-1 SEC File No. 333-174827, filed January 23, 2012)
10.14	Form of Non-Employee Director Restricted Stock Award Agreement (under the EPAM Systems, Inc. 2012 Non-Employee Directors Compensation Plan) (incorporated herein by reference to Exhibit 10.16 to Amendment No. 6)
10.15	EPAM Systems, Inc. Non-Employee Director Compensation Policy (incorporated herein by reference to Exhibit 10.17 to Amendment No. 6)
10.16	Form of Director Offer Letter (incorporated herein by reference to Exhibit 10.18 to Amendment No. 6)
10.17	Executive Employment Agreement by and between Arkadiy Dobkin and EPAM Systems, Inc. dated January 20, 2006 (expired except with respect to Section 8) (incorporated herein by reference to Exhibit 10.19 to Amendment No. 6)
10.18	Offer Letter by and between Ginger Mosier and EPAM Systems, Inc. dated February 24, 2010 (incorporated herein by reference to Exhibit 10.20 to Amendment No. 6)
10.19	Employment Contract by and between Balazs Fejes and EPAM Systems (Switzerland) GmbH. dated June 15, 2009 (incorporated herein by reference to Exhibit 10.21 to Amendment No. 6)
10.20	Consultancy Agreement by and between Landmark Business Development Limited, Balazs Fejes and EPAM Systems, Inc. dated January 20, 2006 (expired except with respect to Section 8) (incorporated herein by reference to Exhibit 10.22 to Amendment No. 6)
10.21	Consultancy Agreement by and between Landmark Business Development Limited, Karl Robb and EPAM Systems, Inc. dated January 20, 2006 (expired except with respect to Section 8) (incorporated herein by reference to Exhibit 10.23 to Amendment No. 6)
10.22	Form of nondisclosure, noncompete and nonsolicitation agreement (incorporated herein by reference to Exhibit 10.24 to Amendment No. 6)

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Exhibit Number	Description
10.23	Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.25 to Amendment No. 6)
10.24	English translation of Agreement with IDEAB Project Eesti AS (incorporated herein by reference to Exhibit 10.26 to Amendment No. 6)
10.25*	Credit Agreement by and among EPAM Systems, Inc., as Borrower, The Guarantors Parties Hereto, and PNC Bank, National Association, as Lender dated January 15, 2013
10.26*	Guaranty and Suretyship Agreement between EPAM Systems LLC, a New Jersey limited liability company, and Vested Development, Inc., a Delaware corporation, and PNC Bank, National Association dated January 15, 2013
10.27*	Security Agreement between EPAM Systems, Inc., a Delaware corporation, EPAM Systems LLC, a New Jersey limited liability company, and Vested Development, Inc., a Delaware corporation, and PNC Bank, National Association dated January 15, 2013
10.28*	Pledge Agreement to loan documents between EPAM Systems, Inc. a Delaware corporation, EPAM Systems LLC, a New Jersey limited liability company, and Vested Development, Inc., a Delaware corporation, and PNC Bank, National Association dated January 15, 2013
21.1*	Subsidiaries of the Registrant
23.1*	Consent of Independent Registered Public Accounting Firm
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

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* Exhibits filed herewith

** As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Section 11 and 12 of the Securities Act of 1933, as amended, and Section 18 of the Securities Exchange Act of 1934, as amended.

Indicates management contracts or compensatory plans or arrangements.

Exhibit 10.25

$40,000,000 REVOLVING CREDIT FACILITY

CREDIT AGREEMENT

by and among

EPAM SYSTEMS INC., as Borrower,

THE GUARANTORS PARTY HERETO,

and

PNC BANK, NATIONAL ASSOCIATION, as Lender

Dated: as of January 15, 2013

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT (as hereafter amended, modified, supplemented and restated, this "**Agreement**") is dated as of January 15, 2013 and is made by and among **EPAM SYSTEMS INC.**, a Delaware corporation (the "Parent Company"), and any of its Subsidiaries that hereafter join this Agreement as Borrowers (with the Parent Company, each a "**Borrower**" and collectively, the "**Borrowers**"), each of the **GUARANTORS** (as hereinafter defined) party hereto, and **PNC BANK, NATIONAL ASSOCIATION** (the "**Lender**").

RECITALS

The Borrowers have requested the Lender to provide a revolving credit facility to the Borrowers in an aggregate principal amount not to exceed $40,000,000, on the terms and subject to the conditions set forth in this Agreement. In consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the parties hereto covenant and agree as follows:

1. DEFINED TERMS

1.1 Certain Definitions.

In addition to words and terms defined elsewhere in this Agreement, the following words and terms shall have the following meanings, respectively, unless the context hereof clearly requires otherwise:

Affiliate shall mean, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

Approved Fund shall mean any fund that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of business and that is administered or managed by (a) the Lender, (b) an Affiliate of the Lender or (c) an entity or an Affiliate of an entity that administers or manages the Lender.

Authorized Officer shall mean, with respect to any Loan Party, the Chief Executive Officer, President, Chief Financial Officer or Treasurer of such Loan Party or such other individuals, designated by written notice to the Lender from the Borrowers, authorized to execute notices, reports and other documents on behalf of the Loan Parties required hereunder. The Borrowers may amend such list of individuals from time to time by giving written notice of such amendment which shall be acknowledged by the Lender.

Base Rate shall mean, for any day, a fluctuating per annum rate of interest equal to the highest of (a) the Federal Funds Open Rate, plus 0.5%, (b) the Prime Rate, and (c) the Daily LIBOR Rate plus 100 basis points (1.0%). Any change in the Base Rate (or any component thereof) shall take effect at the opening of business on the day such change occurs.

Base Rate Option shall mean the option of the Borrowers to have Loans bear interest at the rate and under the terms set forth in Section 4.1.1(i) [Revolving Credit Base Rate Option].

Borrower shall mean individually and Borrowers shall mean collectively the Parent Company and any of its Subsidiaries who hereafter join this Agreement as Borrowers.

Borrowing Date shall mean, with respect to any Loan, the date for the making thereof or the renewal or conversion thereof at or to the same or a different Interest Rate Option, which shall be a Business Day.

Borrowing Tranche shall mean specified portions of Loans outstanding as follows: (a) any Loans to which a LIBOR Rate Option applies which become subject to the same Interest Rate Option under the same Loan Request by the Borrowers shall constitute one Borrowing Tranche, and (b) all Loans to which a Base Rate Option applies shall constitute one Borrowing Tranche.

Business Day shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required to be closed for business in Pittsburgh, Pennsylvania and if the applicable Business Day relates to any Loan to which the LIBOR Rate Option applies, such day must also be a day on which dealings are carried on in the London interbank market.

Capital Lease shall mean, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

Cash Collateralize shall mean to pledge and deposit with or deliver to the Lender, as collateral for the Letter of Credit Obligations, cash or deposit account balances pursuant to documentation satisfactory to the Lender. Such cash collateral shall be maintained in blocked, non-interest bearing deposit accounts at the Lender.

Change in Control shall mean:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an "option right")), directly or indirectly, of 50% or more of the equity securities of the Parent Company entitled to vote for members of the board of directors or equivalent governing body of the Parent Company on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right); or

(b) any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation thereof, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of the Parent Company, or control over the equity securities of the Parent Company entitled to vote for members of the board of directors or equivalent governing body of the Parent Company on a fully-diluted basis (and taking into account all such securities that such Person or group has the right to acquire pursuant to any option right) representing 50% or more of the combined voting power of such securities.

Closing Date shall mean January 15, 2013.

Code shall mean the Internal Revenue Code of 1986, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

Collateral shall mean the collateral under the Pledge Agreement, the Security Agreement and any cash collateral referred to in the definition of Cash Collateralize.

Commercial Letter of Credit shall mean any letter of credit which is a commercial letter of credit issued in respect of the purchase of goods or services by one or more of the Loan Parties or any Subsidiary thereof in the ordinary course of their business.

Commitment Fee shall have the meaning specified in Section 2.3 [Commitment Fees].

Compliance Certificate shall have the meaning specified in Section 8.3.3 [Certificates of the Borrowers].

Consolidated EBITDA for any period of determination shall mean the sum of net income, depreciation, amortization, interest expense and income tax expense, and non-cash stock compensation expense, in each case of the Parent Company and its Subsidiaries for such period determined and consolidated in accordance with GAAP.

Control shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

Current Maturities shall mean the scheduled payments of principal on all Indebtedness for borrowed money having an original term of more than one (1) year (including but not limited to amortization of Capital Lease obligations) as shown on the financial statements of the Parent Company and its Subsidiaries as of one year prior to the date of determination.

Daily LIBOR Rate shall mean, for any day, the rate per annum determined by the Lender by dividing (x) the Published Rate by (y) a number equal to 1.00 *minus* the LIBOR Reserve Percentage on such day.

Dollar, Dollars, U.S. Dollars and the symbol $ shall mean lawful money of the United States of America.

Drawing Date shall have the meaning specified in Section 2.7.3 [Disbursements, Reimbursement].

Environmental Laws shall mean all applicable federal, state, local, tribal, territorial and foreign Laws (including common law), constitutions, statutes, treaties, regulations, rules, ordinances and codes and any consent decrees, settlement agreements, judgments, orders, directives, policies or programs issued by or entered into with an Official Body pertaining or relating to: (i) pollution or pollution control; (ii) protection of human health from exposure to regulated substances; (iii) protection of the environment and/or natural resources; (iv) employee safety in the workplace; (v) the presence, use, management, generation, manufacture, processing, extraction, treatment, recycling, refining, reclamation, labeling, packaging, sale, transport, storage, collection, distribution, disposal or release or threat of release of regulated substances; (vi) the presence of contamination; (vii) the protection of endangered or threatened species; and (viii) the protection of environmentally sensitive areas.

ERISA shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

ERISA Affiliate shall mean, at any time, any trade or business (whether or not incorporated) under common control with any of the Borrowers and are treated as a single employer under Section 414 of the Code.

ERISA Event shall mean (a) a reportable event (under Section 4043 of ERISA and regulations thereunder) with respect to a Pension Plan; (b) a withdrawal by any Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by any Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA or contributions due but not delinquent, upon any Borrower or any ERISA Affiliate.

Event of Default shall mean any of the events described in Section 9.1 [Events of

Default] and referred to therein as an "Event of Default."

Evergreen Letter of Credit shall mean a Letter of Credit having an automatic renewal feature (subject to Lender's annual right to not renew such Letter of Credit on terms acceptable to the Lender) and a final expiration date prior to the Expiration Date.

Exchange Act shall mean the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

Expiration Date shall mean, with respect to the Revolving Credit Commitment, January 15, 2015.

Federal Funds Open Rate for any day shall mean the rate per annum (based on a year of 360 days and actual days elapsed) which is the daily federal funds open rate as quoted by ICAP North America, Inc. (or any successor) as set forth on the Bloomberg Screen BTMM for that day opposite the caption "OPEN" (or on such other substitute Bloomberg Screen that displays such rate), or as set forth on such other recognized electronic source used for the purpose of displaying such rate as selected by the Lender (for purposes of this definition, an "**Alternate Source**") (or if such rate for such day does not appear on the Bloomberg Screen BTMM (or any substitute screen) or on any Alternate Source, or if there shall at any time, for any reason, no longer exist a Bloomberg Screen BTMM (or any substitute screen) or any Alternate Source, a comparable replacement rate determined by the Lender at such time (which determination shall be conclusive absent manifest error); provided however, that if such day is not a Business Day, the Federal Funds Open Rate for such day shall be the "open" rate on the immediately preceding Business Day. If and when the Federal Funds Open Rate changes, the rate of interest hereunder with respect to any advance to which the Federal Funds Open Rate applies will change automatically without notice to the Borrowers, effective on the date of any such change.

Fixed Charge Coverage Ratio shall mean the ratio of Consolidated EBITDA to the sum of Current Maturities, interest expense, cash taxes paid, dividends and distributions and Unfunded Capital Expenditures, in each case of the Borrowers and their Subsidiaries for such period determined and consolidated in accordance with GAAP.

Funded Debt shall mean, without duplication, all Indebtedness for borrowed money, capitalized lease obligations, reimbursement obligations in respect of letters of credit (that are not fully collateralized by cash or cash equivalents, which is held by PNC), and guaranties of such Indebtedness.

GAAP shall mean generally accepted accounting principles as are in effect from time to time, subject to the provisions of Section 1.3 [Accounting Principles], and applied on a consistent basis both as to classification of items and amounts.

Guarantor shall mean each of the parties to this Agreement which is designated as a "Guarantor" on the signature page hereof and each other Person which joins this Agreement as a Guarantor after the date hereof. As of the Closing Date, EPAM Systems LLC, a New Jersey

limited liability company, and Vested Development Inc., a Delaware corporation, are Guarantors.

Guarantor Joinder shall mean a joinder by a Person as a Guarantor under the Loan Documents in the form of Exhibit 1.1(G)(1).

Guaranty of any Person shall mean any obligation of such Person guaranteeing or in effect guaranteeing any liability or obligation of any other Person in any manner, whether directly or indirectly, including any agreement to indemnify or hold harmless any other Person, any performance bond or other suretyship arrangement and any other form of assurance against loss, except endorsement of negotiable or other instruments for deposit or collection in the ordinary course of business.

Guaranty Agreement shall mean the Continuing Agreement of Guaranty and Suretyship in substantially the form of Exhibit 1.1(G)(2) executed and delivered by each of the Guarantors.

Indebtedness shall mean, as to any Person at any time, without duplication:

(a) its liabilities for borrowed money;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) (i) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases and (ii) all liabilities which would appear on its balance sheet in accordance with GAAP in respect of Synthetic Leases assuming such Synthetic Leases were accounted for as Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money);

(f) the aggregate Swap Termination Value of all Interest Rate Hedges of such Person; and

(g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

Indemnitee shall have the meaning specified in Section 10.3.2 [Indemnification by the Borrowers].

Information shall mean all information received from the Loan Parties or any of their Subsidiaries relating to the Loan Parties or any of such Subsidiaries or any of their respective businesses, other than any such information that is available to the Lender on a non-confidential basis prior to disclosure by the Loan Parties or any of their Subsidiaries.

Insolvency Proceeding shall mean, with respect to any Person, (a) a case, action or proceeding with respect to such Person (i) before any court or any other Official Body under any bankruptcy, insolvency, reorganization or other similar Law now or hereafter in effect, or (ii) for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Loan Party or otherwise relating to the liquidation, dissolution, winding-up or relief of such Person, or (b) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of such Person's creditors generally or any substantial portion of its creditors undertaken under any Law.

Interest Period shall mean the period of time selected by the Borrowers in connection with (and to apply to) any election permitted hereunder by the Borrowers to have Revolving Credit Loans bear interest under the LIBOR Rate Option. Subject to the last sentence of this definition, such period shall be one, two, three or six Months. Such Interest Period shall commence on the effective date of such Interest Rate Option, which shall be (a) the Borrowing Date if the Borrowers are requesting new Loans, or (b) the date of renewal of or conversion to the LIBOR Rate Option if the Borrowers are renewing or converting to the LIBOR Rate Option applicable to outstanding Loans. Notwithstanding the second sentence hereof: (A) any Interest Period which would otherwise end on a date which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (B) the Borrowers shall not select, convert to or renew an Interest Period for any portion of the Loans that would end after the Expiration Date.

Interest Rate Hedge shall mean (a) any and all interest rate swap transactions, basis swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward foreign exchange transactions, cap transactions, floor transactions, currency options, spot contracts or any other similar transactions or any of the foregoing (including, but without limitation, any options to enter into any of the foregoing), and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc.,

International Foreign Exchange Master Agreement.

Interest Rate Option shall mean any LIBOR Rate Option or Base Rate Option.

IRS shall mean the Internal Revenue Service.

Law shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award by or settlement agreement with any Official Body.

Lender shall mean PNC Bank, National Association, and its successors and assigns, as lender of the Loans hereunder and issuer of Letters of Credit hereunder.

Lender Provided Interest Rate Hedge shall mean an Interest Rate Hedge which is provided to any of the Loan Parties by the Lender or any of its Affiliates.

Letter of Credit shall have the meaning specified in Section 2.7.1 [Issuance of Letters of Credit].

Letter of Credit Fee shall have the meaning specified in Section 2.7.2 [Letter of Credit Fees].

Letter of Credit Obligation shall mean, as of any date of determination, the aggregate amount available to be drawn under all outstanding Letters of Credit on such date (if any Letter of Credit shall increase in amount automatically in the future, such aggregate amount available to be drawn shall currently give effect to any such future increase) plus without duplication the aggregate Reimbursement Obligations on such date.

Letter of Credit Sublimit shall have the meaning specified in Section 2.7.1 [Issuance of Letters of Credit].

LIBOR Rate shall mean with respect to the Loans comprising any Borrowing Tranche to which the LIBOR Rate Option applies for any Interest Period, the interest rate per annum determined by the Lender by dividing (the resulting quotient rounded upwards, if necessary, to the nearest 1/100th of 1% per annum) (i) the rate which appears on the Bloomberg Page BBAM1 (or on such other substitute Bloomberg page that displays rates at which US dollar deposits are offered by leading banks in the London interbank deposit market), or the rate which is quoted by another source selected by the Lender which has been approved by the British Bankers' Association as an authorized information vendor for the purpose of displaying rates at which US dollar deposits are offered by leading banks in the London interbank deposit market (for purposes of this definition, an "**Alternate Source**"), at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period as the London interbank offered rate for U.S. Dollars for an amount comparable to such Borrowing Tranche and having a borrowing date and a maturity comparable to such Interest Period (or if there shall at

any time, for any reason, no longer exist a Bloomberg Page BBAM1 (or any substitute page) or any Alternate Source, a comparable replacement rate determined by the Lender at such time (which determination shall be conclusive absent manifest error)), by (ii) a number equal to 1.00 minus the LIBOR Reserve Percentage. LIBOR may also be expressed by the following formula:

LIBOR Rate = London interbank offered rates quoted by Bloomberg or appropriate successor as shown on Bloomberg Page BBAM1 / 1.00 - LIBOR Reserve Percentage

The LIBOR Rate shall be adjusted with respect to any Loan to which the LIBOR Rate Option applies that is outstanding on the effective date of any change in the LIBOR Reserve Percentage as of such effective date. The Lender shall give prompt notice to the Borrowers of the LIBOR Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

LIBOR Rate Option shall mean the option of the Borrowers to have Loans bear interest at the rate and under the terms set forth in Section 4.1.1(ii) [Revolving Credit LIBOR Rate Option].

LIBOR Reserve Percentage shall mean as of any day the maximum percentage in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "**Eurocurrency Liabilities**").

Lien shall mean any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, whether voluntarily or involuntarily given, including any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security and any filed financing statement or other notice of any of the foregoing (whether or not a lien or other encumbrance is created or exists at the time of the filing).

Loan Documents shall mean this Agreement, the Guaranty Agreement, the Note, the Pledge Agreement, the Security Agreement and any other instruments, certificates or documents delivered in connection herewith or therewith.

Loan Parties shall mean the Borrowers and the Guarantors.

Loan Request shall have the meaning specified in Section 2.4 [Revolving Credit Loan Requests].

Loans shall mean collectively and Loan shall mean separately all Revolving Credit Loans or any Revolving Credit Loan.

Material Adverse Change shall mean any set of circumstances or events which (a) has any material adverse effect upon the validity or enforceability of the Loan Documents taken as a whole, (b) is material and adverse to the business, assets, financial condition or results of

operations of the Loan Parties and their Subsidiaries taken as a whole, (c) impairs materially the ability of the Loan Parties taken as a whole to duly and punctually pay or perform the Obligations, or (d) impairs materially the ability of the Lender, to the extent permitted, to enforce its legal remedies pursuant to the Loan Documents taken as a whole (other than solely as a result of the action or inaction of the Lender).

Month, with respect to an Interest Period under the LIBOR Rate Option, shall mean the interval between the days in consecutive calendar months numerically corresponding to the first day of such Interest Period. If any LIBOR Rate Interest Period begins on a day of a calendar month for which there is no numerically corresponding day in the month in which such Interest Period is to end, the final month of such Interest Period shall be deemed to end on the last Business Day of such final month.

Multiemployer Plan shall mean any employee benefit plan which is a “multiemployer plan” within the meaning of Section 4001(a)(3) of ERISA and to which any Borrower or any ERISA Affiliate is then making or accruing an obligation to make contributions or, within the preceding five Plan years, has made or had an obligation to make such contributions.

Note shall mean the promissory note in the form of Exhibit 1.1(N) evidencing the Revolving Credit Loan.

Obligation shall mean any obligation or liability of any of the Loan Parties, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due, under or in connection with (i) this Agreement, the Notes, the Letters of Credit, or any other Loan Document whether to the Lender or its Affiliates or other persons provided for under such Loan Documents, (ii) any Lender Provided Interest Rate Hedge and (iii) any Other Lender Provided Financial Service Product.

Official Body shall mean the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including, without limitation, the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

Other Lender Provided Financial Service Product shall mean agreements or other arrangements under which the Lender or any Affiliate of the Lender provides any of the following products or services to any of the Loan Parties: (a) credit cards, (b) credit card processing services, (c) debit cards, (d) purchase cards, (e) ACH transactions, (f) cash management, including controlled disbursement, accounts or services, or (g) foreign currency exchange.

Parent Company shall mean EPAM Systems Inc., a Delaware corporation, its successors and assigns.

Participant has the meaning specified in Section 10.8.3 [Participations].

Payment Date shall mean the first day of each calendar quarter after the date hereof and on the Expiration Date or upon acceleration of the Notes.

Payment In Full shall mean the indefeasible payment in full in cash of the Loans and other Obligations hereunder (other than future obligations consisting of contingent Obligations that may be owing or for which no claims have been made and which expressly survive termination of the Loan Documents), termination of the Revolving Credit Commitment and cash collateralization, expiration or termination of all Letters of Credit.

PBGC shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any successor.

Pension Plan shall mean any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by any Borrower or any ERISA Affiliate or to which any Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any times during the immediately preceding five plan years.

Permitted Acquisitions shall have the meaning assigned to such term in Section 8.2.6(ii).

Permitted Investments shall mean:

(a) direct obligations of the United States of America or any agency or instrumentality thereof or obligations backed by the full faith and credit of the United States of America maturing in twelve (12) months or less from the date of acquisition;

(b) short-term commercial paper, including variable amount master demand notes, in Dollars, carrying the highest rating by Standard & Poor's or P-1 by Moody's Investors Service, Inc. issued for corporations headquartered in the United States on the date of acquisition;

(c) time certificates of deposit or repurchase agreements in Dollars maturing within one year in commercial banks carrying the highest rating by Standard & Poor's or P-1 by Moody's Investors Service, Inc. issued for commercial banks headquartered in the United States on the date of acquisition or having capital, surplus and undivided profits in excess of $200,000,000;

(d) corporate and municipal obligations maturing in twelve (12) months or less from the date of acquisition and having a rating of AA or better by Standard & Poor's or Aa by Moody's Investors Service, Inc.; and

(e) money market or mutual funds whose investments are limited to those types of investments described in clauses (a)-(d) above.

Permitted Liens shall mean:

(a) Liens for taxes, assessments, or similar charges, incurred in the ordinary course of business and which are not yet due and payable, or are being contested in good faith, with adequate reserves set aside, by appropriate proceedings diligently conducted;

(b) Pledges or deposits made in the ordinary course of business to secure payment of workmen's compensation, or to participate in any fund in connection with workmen's compensation, unemployment insurance, old-age pensions or other social security programs;

(c) Liens of mechanics, materialmen, warehousemen, carriers, or other like Liens, securing obligations incurred in the ordinary course of business that are not yet due and payable and Liens of landlords securing obligations to pay lease payments that are not yet due and payable or in default;

(d) Good-faith pledges or deposits made in the ordinary course of business to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, not in excess of the aggregate amount due thereunder, or to secure statutory obligations, or surety, appeal, indemnity, performance or other similar bonds required in the ordinary course of business;

(e) Encumbrances consisting of zoning restrictions, easements or other restrictions on the use of real property, none of which materially impairs the use of such property or the value thereof, and none of which is violated in any material respect by existing or proposed structures or land use;

(f) Liens in favor of the Lender and its Affiliates securing the Obligations;

(g) Liens on property leased by any Loan Party or Subsidiary of a Loan Party under operating leases securing obligations of such Loan Party or Subsidiary to the lessor under such leases;

(h) Any Lien existing on the date of this Agreement and described on Schedule 1.1(P), together with any renewals thereof; provided that the principal amount secured thereby is not hereafter increased, and no additional assets become subject to such Lien;

(i) Purchase Money Security Interests and capitalized leases securing Indebtedness permitted under Section 8.2.1(iv), so long as such Liens extend only to the assets purchased (and proceeds thereof);

(j) The following, (A) if the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted so long as levy and execution thereon have been stayed and continue to be stayed or (B) if a final judgment is entered and such judgment is discharged within forty-five (45) days of entry, and in either case

they do not affect the Collateral or, in the aggregate, materially impair the ability of any Loan Party to perform its Obligations hereunder or under the other Loan Documents:

(1) Claims or Liens for taxes, assessments or charges due and payable and subject to interest or penalty; provided that the applicable Loan Party maintains such reserves or other appropriate provisions as shall be required by GAAP and pays all such taxes, assessments or charges forthwith upon the commencement of proceedings to foreclose any such Lien;

(2) Claims, Liens or encumbrances upon, and defects of title to, real or personal property other than the Collateral, including any attachment of personal or real property or other legal process prior to adjudication of a dispute on the merits;

(3) Claims or Liens of mechanics, materialmen, warehousemen, carriers, or other statutory nonconsensual Liens; or

(4) Liens resulting from final judgments or orders described in Section 9.1.7 [Final Judgments or Orders].

(k) Liens securing Indebtedness permitted under Section 8.2.1(viii), so long as (A) such Liens extend only to the assets acquired (and proceeds thereof), (B) such Liens were granted by the target of a Permitted Acquisition, and (C) such Liens were not granted in contemplation of such Permitted Acquisition;

(l) statutory or common law rights of setoff upon deposits of cash in favor of depository institutions; and

(m) any title transfer, retention of title, hire purchase or conditional sale arrangements having similar effect arising in the ordinary course of business in favor of the suppliers of goods or services to any Loan Party or Subsidiary thereof.

provided that the only “Permitted Liens” on the Subsidiary Equity Interests and Collateral are the Liens of the Lender pursuant to the Pledge Agreement and Security Agreement and inchoate Liens for taxes not yet due and payable.

Person shall mean any individual, corporation, partnership, limited liability company, association, joint-stock company, trust, unincorporated organization, joint venture, government or political subdivision or agency thereof, or any other entity.

Pledge Agreement shall mean the Pledge Agreement of even date herewith granting Lender a lien on and security interest in (a) 65% of all issued and outstanding equity interests in each 1st tier foreign Subsidiary and (b) 100% all issued and outstanding equity interests in each domestic Subsidiary, as the same may be amended, restated or otherwise modified.

Potential Default shall mean any event or condition which with notice or passage of time, or both, would constitute an Event of Default.

Prime Rate shall mean the interest rate per annum announced from time to time by the Lender at its Principal Office as its then prime rate, which rate may not be the lowest or most favorable rate then being charged commercial borrowers or others by the Lender. Any change in the Prime Rate shall take effect at the opening of business on the day such change is announced.

Principal Office shall mean the main banking office of the Lender in Pittsburgh, Pennsylvania.

Prior Security Interest shall mean a valid and enforceable perfected first-priority security interest under the Uniform Commercial Code in the Collateral which is subject only to Liens of the Lender pursuant to the Loan Documents, and inchoate Liens for taxes not yet due and payable.

Published Rate shall mean the rate of interest published each Business Day in *The Wall Street Journal* "Money Rates" listing under the caption "London Interbank Offered Rates" for a one month period (or, if no such rate is published therein for any reason, then the Published Rate shall be the rate at which U.S. dollar deposits are offered by leading banks in the London interbank deposit market for a one month period as published in another publication selected by the Lender).

Purchase Money Security Interest shall mean Liens upon tangible personal property securing loans to any Loan Party or Subsidiary of a Loan Party or deferred payments by such Loan Party or Subsidiary for the purchase of such tangible personal property.

Reimbursement Obligation shall have the meaning specified in Section 2.7.3 [Disbursements, Reimbursement].

Related Parties shall mean, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

Relief Proceeding shall mean any proceeding seeking a decree or order for relief in respect of any Loan Party or Subsidiary of a Loan Party in a voluntary or involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Loan Party or Subsidiary of a Loan Party for any substantial part of its property, or for the winding-up or liquidation of its affairs, or an assignment for the benefit of its creditors.

Revolving Credit Commitment shall mean, as to the Lender at any time, the amount initially set forth opposite its name on Schedule 1.1(A) in the column labeled "Amount of Commitment for Revolving Credit Loans," as such Commitment is thereafter assigned or modified in accordance with the terms of this Agreement.

Revolving Credit Loans shall mean collectively and Revolving Credit Loan shall mean separately all Revolving Credit Loans or any Revolving Credit Loan made by the Lender

to the Borrowers pursuant to Section 2.1 [Revolving Credit Commitment] or 2.7.3 [Disbursements, Reimbursement].

Revolving Facility Usage shall mean at any time the sum of the outstanding Revolving Credit Loans and the Letter of Credit Obligations.

Security Agreement shall mean the Security Agreement of even date herewith by the Loan Parties in favor of the Lender, as the same may be amended, restated or otherwise modified.

Solvent shall mean, with respect to any Person on any date of determination, taking into account such right of reimbursement, contribution or similar right available to such Person from other Persons, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (b) the present fair saleable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature, and (e) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

Standard & Poor's shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

Statements shall have the meaning specified in Section 6.1.6(i) [Historical Statements].

Subordinated Debt shall mean Funded Debt that has been subordinated to the Obligations pursuant to subordination terms and conditions satisfactory to the Lender in its discretion.

Subsidiary of a Person shall mean a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Parent Company.

Subsidiary Equity Interests shall have the meaning specified in Section 6.1.2 [Subsidiaries and Owners; Investment Companies].

Swap Termination Value shall mean, in respect of any one or more Interest Rate Hedges, after taking into account the effect of any legally enforceable netting agreement relating to such Interest Rate Hedges, (a) for any date on or after the date such Interest Rate Hedges have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amounts(s) determined as the mark-to-market values(s) for such Interest Rate Hedges, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Interest Rate Hedges.

Synthetic Lease means, at any time, any lease (including leases that may be terminated by the lessee at any time) of any property (a) that is accounted for as an operating lease under GAAP and (b) in respect of which the lessee retains or obtains ownership of the property so leased for U.S. federal income tax purposes, other than any such lease under which such Person is the lessor.

Taxes shall mean all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Official Body, including any interest, additions to tax or penalties applicable thereto.

Unfunded Capital Expenditures shall mean capital expenditures made from any Borrower's funds other than funds borrowed as term debt (including Capital Leases) to finance such capital expenditures.

1.2 Construction. Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement and each of the other Loan Documents: (i) references to the plural include the singular, the plural, the part and the whole and the words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation"; (ii) the words "hereof," "herein," "hereunder," "hereto" and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document as a whole; (iii) article, section, subsection, clause, schedule and exhibit references are to this Agreement or other Loan Document, as the case may be, unless otherwise specified; (iv) reference to any Person includes such Person's successors and assigns; (v) reference to any agreement, including this Agreement and any other Loan Document together with the schedules and exhibits hereto or thereto, document or instrument means such agreement, document or instrument as amended, modified, replaced, substituted for, superseded or restated; (vi) relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding," and "through" means "through and including"; (vii) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, (viii) section headings herein and in each other Loan Document are included for convenience and shall not affect the interpretation of this Agreement or such Loan Document, and (ix) unless otherwise specified, all references herein to times of day shall be references to Eastern Time.

1.3 Accounting Principles; Changes in GAAP. Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters and all financial statements to be delivered pursuant to this Agreement shall be made and prepared in accordance with GAAP (including principles of consolidation where appropriate), and all accounting or financial terms shall have the meanings ascribed to such terms by GAAP; provided, however, that all accounting terms used in Section 8.2 [Negative Covenants] (and all defined terms used in the definition of any accounting term used in Section 8.2 shall have the meaning given to such terms (and defined terms) under GAAP as in effect on the date hereof applied on a basis consistent with those used in preparing Statements referred to in Section 6.1.6(i) [Historical Statements]. Notwithstanding the foregoing, if the Borrowers notify the Lender in writing that the Borrowers wish to amend any financial covenant in Section 8.2 of this Agreement and/or any related definition, Letter of Credit Fee and/or Commitment Fee determinations to eliminate the effect of any change in GAAP occurring after the Closing Date on the operation of such financial covenants and/or interest, Letter of Credit Fee and/or Commitment Fee determinations (or if the Lender notifies the Borrower in writing that the Lender wishes to amend any financial covenant in Section 8.2 and/or any related definition, Letter of Credit Fee and/or Commitment Fee determinations to eliminate the effect of any such change in GAAP), then the Lender and the Borrowers shall negotiate in good faith to amend such ratios or requirements to preserve the original intent thereof in light of such change in GAAP; provided that, until so amended, the Loan Parties' compliance with such covenants, Letter of Credit Fee and/or Commitment Fee determinations shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenants or definitions are amended in a manner satisfactory to the Borrowers and the Lender, and the Loan Parties shall provide to the Lender, when they deliver their financial statements pursuant to Section 8.3.1 [Quarterly Financial Statements] and 8.3.2 [Annual Financial Statements] of this Agreement, such reconciliation statements as shall be reasonably requested by the Lender.

2. REVOLVING CREDIT FACILITY

2.1 Revolving Credit Commitment. Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, the Lender agrees to make Revolving Credit Loans to the Borrowers at any time or from time to time on or after the date hereof to the Expiration Date; provided that after giving effect to each such Loan (i) the aggregate amount of Revolving Credit Loans from the Lender shall not exceed the Lender's Revolving Credit Commitment minus the amount of Letter of Credit Obligations, and (ii) the Revolving Facility Usage shall not exceed the Revolving Credit Commitment. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrowers may borrow, repay and reborrow pursuant to this Section 2.1. The Obligation of the Borrowers to repay the aggregate unpaid principal amount of the Revolving Credit Loans made by the Lender, together with interest thereon, shall be evidenced by a revolving credit Note, dated the Closing Date payable to the order of the Lender in a face amount equal to the Revolving Credit Commitment.

2.2 Nature of Lender's Obligations with Respect to Revolving Credit Loans. The aggregate of the Lender's Revolving Credit Loans outstanding hereunder to the Borrowers at any

time shall never exceed its Revolving Credit Commitment minus the Letter of Credit Obligations. The Lender shall have no obligation to make Revolving Credit Loans hereunder on or after the Expiration Date.

2.3 Commitment Fees. Accruing from the date hereof until the earlier to occur of the Expiration Date and the date on which the Revolving Credit Commitment is terminated, the Borrowers agree to pay to the Lender a nonrefundable commitment fee (the "**Commitment Fee**") equal to 0.125% per annum (computed on the basis of a year of 360 days and actual days elapsed) multiplied by the average daily difference between the amount of (i) the Revolving Credit Commitment and (ii) the Revolving Facility Usage.

2.4 Revolving Credit Loan Requests. Except as otherwise provided herein, the Borrowers may from time to time prior to the Expiration Date request the Lender to make Revolving Credit Loans, or renew or convert the Interest Rate Option applicable to existing Revolving Credit Loans pursuant to Section 4.2 [Interest Periods], by delivering to the Lender, not later than 11:00 a.m., (i) three (3) Business Days prior to the proposed Borrowing Date with respect to the making of Revolving Credit Loans to which the LIBOR Rate Option applies or the conversion to or the renewal of the LIBOR Rate Option for any Loans, and (ii) the same Business Day of the proposed Borrowing Date with respect to the making of a Revolving Credit Loan to which the Base Rate Option applies or the last day of the preceding Interest Period with respect to the conversion to the Base Rate Option for any Loan, of a duly completed request therefor substantially in the form of Exhibit 2.4 or a request by telephone immediately confirmed in writing by letter, facsimile or telex in such form (each, a "**Loan Request**"), it being understood that the Lender may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Loan Request shall specify the aggregate amount of the proposed Loans comprising each Borrowing Tranche, and, if applicable, the Interest Period.

2.5 Repayment of Revolving Credit Loans. The Borrowers shall pay accrued interest on the unpaid principal balance of the Note in arrears: (a) for the portion of advances bearing interest under the Base Rate Option, on the [1st] day of each month during the term hereof, (b) for the portion of advances bearing interest under the LIBOR Rate Option, on the last day of the respective Interest Period for such advance, (c) if any Interest Period is longer than three (3) months, then also on the three (3) month anniversary of such interest period and every three (3) months thereafter, and (d) for all advances, at maturity, whether by acceleration of the Note or otherwise, and after maturity, on demand until paid in full. All outstanding principal and accrued interest hereunder shall be due and payable in full on the Expiration Date. If any payment under this Agreement shall become due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest in connection with such payment. Each Borrower hereby authorizes the Lender to charge any Borrower's deposit account at the Lender for any payment when due hereunder.

2.6 Use of Proceeds. The proceeds of the Loans shall be used to (i) support working capital and general corporate needs, including the issuance of Letters of Credit, and/or (ii) finance ongoing capital expenditures and Permitted Acquisitions.

2.7 Letter of Credit Subfacility.

2.7.1 Issuance of Letters of Credit. The Borrowers may at any time prior to the Expiration Date request the issuance of a standby or trade letter of credit (a "**Standby Letter of Credit**") or Commercial Letter of Credit (each a "**Letter of Credit**") denominated in Dollars on behalf of itself or another Loan Party or any other Subsidiary of the Parent Company, or the amendment or extension of an existing Letter of Credit, by delivering or having such other Loan Party deliver to the Lender a completed application and agreement for letters of credit, or request for such amendment or extension, as applicable, in such form as the Lender may specify from time to time by no later than 10:00 a.m. at least five (5) Business Days, or such shorter period as may be agreed to by the Lender, in advance of the proposed date of issuance. Subject to the terms and conditions hereof, the Lender or any of the Lender's Affiliates will issue a Letter of Credit or agree to such amendment or extension, provided that each Letter of Credit shall (A) have a maximum maturity of twelve (12) months from the date of issuance, except in the case of an Evergreen Letter of Credit, and (B) in no event expire later than the date which is 364 days after the Expiration Date and provided further that in no event shall (i) the Letter of Credit Obligations exceed, at any one time, $10,000,000 (the "**Letter of Credit Sublimit**") or (ii) the Revolving Facility Usage exceed, at any one time, the Revolving Credit Commitment. Each request by the Borrowers for the issuance, amendment or extension of a Letter of Credit shall be deemed to be a representation by the Borrowers that they shall be in compliance with the preceding sentence and with Section 7 [Conditions of Lending and Issuance of Letters of Credit] after giving effect to the requested issuance, amendment or extension of such Letter of Credit. Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to the beneficiary thereof, the Lender will also deliver to Borrowers a true and complete copy of such Letter of Credit or amendment. Upon the request of the Lender (i) if the Lender has honored any full or partial drawing request under any Letter of Credit and has not been reimbursed therefor as required in this Agreement, or (ii) if, on the Expiration Date, any Letter of Credit Obligation for any reason remains outstanding, the Borrowers shall, in each case, immediately Cash Collateralize the then outstanding amount of all Letter of Credit Obligations. The Borrowers hereby grant to the Lender a security interest in all cash collateral pledged pursuant to this Section or otherwise under this Agreement.

2.7.2 Letter of Credit Fees. The Borrowers shall pay to the Lender a fee (the "Letter of Credit Fee") equal to 1.25% for standby Letters of Credit (computed on the basis of a year of 360 days and actual days elapsed), which fee shall be computed on the daily average of standby Letter of Credit Obligations and shall be payable quarterly in arrears on each Payment Date following issuance of each standby Letter of Credit. The Borrowers shall also pay to the Lender for the Lender's sole account the Lender's then in effect customary fees and administrative expenses payable with respect to the Letters of Credit as the Lender may generally charge or incur from time to time in connection with the issuance, maintenance, amendment (if any), assignment or transfer (if any), negotiation, and administration of Letters of Credit to the extent invoiced by the Lender.

2.7.3 Disbursements, Reimbursement. In the event of any request for a drawing under a Letter of Credit by the beneficiary or transferee thereof, the Lender will promptly notify the Borrowers thereof. Provided that it shall have received such notice, the

Borrowers shall reimburse (such obligation to reimburse the Lender shall sometimes be referred to as a "Reimbursement Obligation") the Lender on each date that an amount is paid by the Lender under any Letter of Credit (each such date, a "Drawing Date") by paying to the Lender an amount equal to the amount so paid by the Lender.

2.7.4 Documentation. Each Loan Party agrees to be bound by the terms of the Lender's application and agreement for letters of credit and the Lender's written regulations and customary practices relating to letters of credit, though such interpretation may be different from such Loan Party's own. In the event of a conflict between such application or agreement and this Agreement, this Agreement shall govern. It is understood and agreed that, except in the case of gross negligence or willful misconduct, the Lender shall not be liable for any error, negligence and/or mistakes, whether of omission or commission, in following any Loan Party's instructions or those contained in the Letters of Credit or any modifications, amendments or supplements thereto.

2.7.5 Determinations to Honor Drawing Requests. In determining whether to honor any request for drawing under any Letter of Credit by the beneficiary thereof, the Lender shall be responsible only to determine that the documents and certificates required to be delivered under such Letter of Credit have been delivered and that they comply on their face with the requirements of such Letter of Credit.

2.7.6 Nature of Participation and Reimbursement Obligations. The Obligations of the Borrowers to reimburse the Lender upon a draw under a Letter of Credit shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Section 2.7 under all circumstances, including the following circumstances:

(i) any set-off, counterclaim, recoupment, defense or other right which the Lender may have against the Borrowers or any other Person for any reason whatsoever, or which any Loan Party may have against the Lender or any of its Affiliates or any other Person for any reason whatsoever;

(ii) any lack of validity or enforceability of any Letter of Credit;

(iii) any claim of breach of warranty that might be made by any Loan Party or the Lender against any beneficiary of a Letter of Credit, or the existence of any claim, set-off, recoupment, counterclaim, crossclaim, defense or other right which any Loan Party or the Lender may have at any time against a beneficiary, successor beneficiary any transferee or assignee of any Letter of Credit or the proceeds thereof (or any Persons for whom any such transferee may be acting), the Lender or its Affiliates or any other Person, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between any Loan Party or Subsidiaries of a Loan Party and the beneficiary for which any Letter of Credit was procured);

(iv) the lack of power or authority of any signer of (or any defect in or forgery of any signature or endorsement on) or the form of or lack of validity, sufficiency, accuracy, enforceability or genuineness of any draft, demand, instrument, certificate or other document

presented under or in connection with any Letter of Credit, or any fraud or alleged fraud in connection with any Letter of Credit, or the transport of any property or provision of services relating to a Letter of Credit, in each case even if the Lender or any of its Affiliates has been notified thereof;

(v) payment by the Lender or any of its Affiliates under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;

(vi) the solvency of, or any acts or omissions by, any beneficiary of any Letter of Credit, or any other Person having a role in any transaction or obligation relating to a Letter of Credit, or the existence, nature, quality, quantity, condition, value or other characteristic of any property or services relating to a Letter of Credit;

(vii) any failure by the Lender or any of its Affiliates to issue any Letter of Credit in the form requested by any Loan Party, unless the Lender has received written notice from such Loan Party of such failure, has had sufficient time and the beneficiary thereof has agreed to amend such Letter of Credit, and no drawing has been made thereon;

(viii) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of any Loan Party or Subsidiaries of a Loan Party;

(ix) any breach of this Agreement or any other Loan Document by any party thereto;

(x) the occurrence or continuance of an Insolvency Proceeding with respect to any Loan Party;

(xi) the fact that an Event of Default or a Potential Default shall have occurred and be continuing;

(xii) the fact that the Expiration Date shall have passed or this Agreement or the Revolving Credit Commitment hereunder shall have been terminated; and

(xiii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

2.7.7 Indemnity. The Borrowers, jointly and severally, hereby agree to protect, indemnify, pay and save harmless the Lender and any of its Affiliates that has issued a Letter of Credit from and against any and all claims, demands, liabilities, damages, taxes, penalties, interest, judgments, losses, costs, charges and expenses (including reasonable fees, expenses and disbursements of counsel and allocated costs of internal counsel) which the Lender or any of its Affiliates may incur or be subject to as a consequence, direct or indirect, of the issuance of any Letter of Credit, other than as a result of (A) the gross negligence or willful misconduct of the Lender as determined by a final non-appealable judgment of a court of competent jurisdiction or (B) the wrongful dishonor by the Lender or any of the Lender’s Affiliates of a proper demand for payment made under any Letter of Credit, except if such

dishonor resulted from any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Official Body.

2.7.8 Liability for Acts and Omissions. As between any Loan Party and the Lender, or the Lender's Affiliates, such Loan Party assumes all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, the Lender shall not be responsible for any of the following, including any losses or damages to any Loan Party or other Person or property relating therefrom: (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for an issuance of any such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged (even if the Lender or its Affiliates shall have been notified thereof); (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) the failure of the beneficiary of any such Letter of Credit, or any other party to which such Letter of Credit may be transferred, to comply fully with any conditions required in order to draw upon such Letter of Credit or any other claim of any Loan Party against any beneficiary of such Letter of Credit, or any such transferee, or any dispute between or among any Loan Party and any beneficiary of any Letter of Credit or any such transferee; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vii) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (viii) any consequences arising from causes beyond the control of the Lender or its Affiliates, as applicable, including any act or omission of any Official Body, and none of the above shall affect or impair, or prevent the vesting of, any of the Lender's or its Affiliate's rights or powers hereunder. Nothing in the preceding sentence shall relieve the Lender from liability for the Lender's gross negligence or willful misconduct in connection with actions or omissions described in such clauses (i) through (viii) of such sentence. In no event shall the Lender or its Affiliates be liable to any Loan Party for any indirect, consequential, incidental, punitive, exemplary or special damages or expenses (including without limitation attorneys' fees), or for any damages resulting from any change in the value of any property relating to a Letter of Credit.

Without limiting the generality of the foregoing, the Lender and each of its Affiliates (i) may rely on any oral or other communication believed in good faith by the Lender or such Affiliate to have been authorized or given by or on behalf of the applicant for a Letter of Credit, (ii) may honor any presentation if the documents presented appear on their face substantially to comply with the terms and conditions of the relevant Letter of Credit; (iii) may honor a previously dishonored presentation under a Letter of Credit, whether such dishonor was pursuant to a court order, to settle or compromise any claim of wrongful dishonor, or otherwise, and shall be entitled to reimbursement to the same extent as if such presentation had initially been honored, together with any interest paid by the Lender or its Affiliate; (iv) may honor any drawing that is payable upon presentation of a statement advising negotiation or payment, upon

receipt of such statement (even if such statement indicates that a draft or other document is being delivered separately), and shall not be liable for any failure of any such draft or other document to arrive, or to conform in any way with the relevant Letter of Credit; (v) may pay any paying or negotiating bank claiming that it rightfully honored under the laws or practices of the place where such bank is located; and (vi) may settle or adjust any claim or demand made on the Lender or its Affiliate in any way related to any order issued at the applicant's request to an air carrier, a letter of guarantee or of indemnity issued to a carrier or any similar document (each an "**Order**") and honor any drawing in connection with any Letter of Credit that is the subject of such Order, notwithstanding that any drafts or other documents presented in connection with such Letter of Credit fail to conform in any way with such Letter of Credit.

In furtherance and extension and not in limitation of the specific provisions set forth above, any action taken or omitted by the Lender or its Affiliates under or in connection with the Letters of Credit issued by it or any documents and certificates delivered thereunder, if taken or omitted in good faith, shall not put the Lender or its Affiliates under any resulting liability to any Borrower or any other Loan Party.

3. RESERVED

4. INTEREST RATES

4.1 Interest Rate Options. The Borrowers shall pay interest in respect of the outstanding unpaid principal amount of the Loans as selected by it from the Base Rate Option or LIBOR Rate Option set forth below applicable to the Loans, it being understood that, subject to the provisions of this Agreement, the Borrowers may select different Interest Rate Options and different Interest Periods to apply simultaneously to the Loans comprising different Borrowing Tranches and may convert to or renew one or more Interest Rate Options with respect to all or any portion of the Loans comprising any Borrowing Tranche; provided that there shall not be at any one time outstanding more than six (6) Borrowing Tranches in the aggregate among all of the Loans and provided further that if an Event of Default exists and is continuing, the Borrowers may not request, convert to, or renew the LIBOR Rate Option for any Loans and the Lender may demand that all existing Borrowing Tranches bearing interest under the LIBOR Rate Option shall be converted immediately to the Base Rate Option, subject to the obligation of the Borrowers to pay any indemnity under Section 5.7 [Indemnity] in connection with such conversion. If at any time the designated rate applicable to any Loan made by the Lender exceeds the Lender's highest lawful rate, the rate of interest on such Loan shall be limited to the Lender's highest lawful rate.

4.1.1 Revolving Credit Interest Rate Options. The Borrowers shall have the right to select from the following Interest Rate Options applicable to the Revolving Credit Loans:

(i) Revolving Credit Base Rate Option: A fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) equal to the Base Rate, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate; or

(ii) Revolving Credit LIBOR Rate Option: A rate per annum (computed on the basis of a year of 360 days and actual days elapsed) equal to the LIBOR Rate plus 1.25%.

4.1.2 Reserved.

4.1.3 Rate Quotations. The Borrowers may call the Lender on or before the date on which a Loan Request is to be delivered to receive an indication of the rates then in effect, but it is acknowledged that such projection shall not be binding on the Lender nor affect the rate of interest which thereafter is actually in effect when the election is made.

4.2 Interest Periods. At any time when the Borrowers shall select, convert to or renew a LIBOR Rate Option, the Borrowers shall notify the Lender thereof at least three (3) Business Days prior to the effective date of such LIBOR Rate Option by delivering a Loan Request. The notice shall specify an Interest Period during which such Interest Rate Option shall apply. Notwithstanding the preceding sentence, in the case of the renewal of a LIBOR Rate Option at the end of an Interest Period, the first day of the new Interest Period shall be the last day of the preceding Interest Period, without duplication in payment of interest for such day.

4.3 Interest After Default. To the extent permitted by Law, upon the occurrence of an Event of Default and until such time such Event of Default shall have been cured or waived, and at the discretion of the Lender:

4.3.1 Letter of Credit Fees, Interest Rate. The Letter of Credit Fees and the rate of interest for each Loan otherwise applicable pursuant to Section 2.7.2 [Letter of Credit Fees] or Section 4.1 [Interest Rate Options], respectively, shall be increased by 2.0% per annum;

4.3.2 Other Obligations. Each other Obligation hereunder if not paid when due shall bear interest at a rate per annum equal to the sum of the rate of interest applicable under the Revolving Credit Base Rate Option plus an additional 2.0% per annum from the time such Obligation becomes due and payable and until it is paid in full; and

4.3.3 Acknowledgment. The Borrowers acknowledge that the increase in rates referred to in this Section 4.3 reflects, among other things, the fact that such Loans or other amounts have become a substantially greater risk given their default status and that the Lender is entitled to additional compensation for such risk; and all such interest shall be payable by Borrowers upon demand by Lender.

4.4 LIBOR Rate Unascertainable; Illegality; Increased Costs; Deposits Not Available.

4.4.1 Unascertainable. If on any date on which a LIBOR Rate would otherwise be determined, the Lender shall have determined that:

(i) adequate and reasonable means do not exist for ascertaining such LIBOR Rate, or

(ii) a contingency has occurred which materially and adversely affects the

London interbank eurodollar market relating to the LIBOR Rate,

then the Lender shall have the rights specified in Section 4.4.3 [Lender's Rights].

4.4.2 Illegality; Increased Costs; Deposits Not Available. If at any time the Lender shall have determined that:

(i) the making, maintenance or funding of any Loan to which a LIBOR Rate Option applies has been made impracticable or unlawful by compliance by the Lender in good faith with any Law or any interpretation or application thereof by any Official Body or with any request or directive of any such Official Body (whether or not having the force of Law), or

(ii) such LIBOR Rate Option will not adequately and fairly reflect the cost to the Lender of the establishment or maintenance of any such Loan, or

(iii) after making all reasonable efforts, deposits of the relevant amount in Dollars for the relevant Interest Period for a Loan, or to banks generally, to which a LIBOR Rate Option applies, respectively, are not available to the Lender with respect to such Loan, or to banks generally, in the interbank eurodollar market,

then the Lender shall have the rights specified in Section 4.4.3 [Lender's Rights].

4.4.3 Lender's Rights. In the case of any event specified in Section 4.4.1 [Unascertainable] above, the Lender shall promptly so notify the Borrowers thereof, and in the case of an event specified in Section 4.4.2 [Illegality; Increased Costs; Deposits Not Available] above, the Lender shall promptly so notify the Borrowers and endorse a certificate to such notice as to the specific circumstances of such notice. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given), the obligation of the Lender, to allow the Borrowers to select, convert to or renew a LIBOR Rate Option shall be suspended until the Lender shall have later notified the Borrowers, of the Lender's determination that the circumstances giving rise to such previous determination no longer exist. If at any time the Lender makes a determination under Section 4.4.1 [Unascertainable] and the Borrowers have previously notified the Lender of its selection of, conversion to or renewal of a LIBOR Rate Option and such Interest Rate Option has not yet gone into effect, such notification shall be deemed to provide for selection of, conversion to or renewal of the Base Rate Option otherwise available with respect to such Loans. If the Lender notifies the Borrowers of a determination under Section 4.4.2 [Illegality; Increased Costs; Deposits Not Available], the Borrowers shall, subject to the Borrowers' indemnification Obligations under Section 5.7 [Indemnity], as to any Loan of the Lender to which a LIBOR Rate Option applies, on the date specified in such notice either (i) as applicable, convert such Loan to the Base Rate Option otherwise available with respect to such Loan, or (ii) prepay such Loan in accordance with Section 5.3 [Voluntary Prepayments]. Absent due notice from the Borrowers of conversion or prepayment, such Loan shall automatically be converted to the Base Rate Option otherwise available with respect to such Loan upon such specified date.

4.5 Selection of Interest Rate Options. If the Borrowers fail to select a new Interest Period to apply to any Borrowing Tranche of Loans under the LIBOR Rate Option at the

expiration of an existing Interest Period applicable to such Borrowing Tranche in accordance with the provisions of Section 4.2 [Interest Periods], the Borrowers shall be deemed to have converted such Borrowing Tranche to the Revolving Credit Base Rate Option, commencing upon the last day of the existing Interest Period.

5. PAYMENTS

5.1 Payments. All payments and prepayments to be made in respect of principal, interest, Commitment Fees, Letter of Credit Fees or other fees or amounts due from the Borrowers hereunder shall be payable prior to 4:00 p.m. on the date when due without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrowers, and without set-off, counterclaim or other deduction of any nature, and an action therefor shall immediately accrue. Such payments shall be made to the Lender at the Principal Office for the account of the Lender in Dollars and in immediately available funds. The Lender's statement of account, ledger or other relevant record shall, in the absence of manifest error, be conclusive as the statement of the amount of principal of and interest on the Loans and other amounts owing under this Agreement and shall be deemed an "account stated."

5.2 Interest Payment Dates. Interest on Loans to which the Base Rate Option applies shall be due and payable in arrears on the first day of each calendar month. Interest on Loans to which the LIBOR Rate Option applies shall be due and payable on the last day of each Interest Period for those Loans. Interest on the principal amount of each Loan or other monetary Obligation shall be due and payable on demand after such principal amount or other monetary Obligation becomes due and payable (whether on the stated Expiration Date, upon acceleration or otherwise).

5.3 Voluntary Prepayments or Revolving Credit Commitment Reductions. The Borrowers shall have the right at their option from time to time to prepay the Loans or reduce the unborrowed Revolving Credit Commitment in whole or part without premium or penalty (except as provided in Section 5.5 [Increased Costs; Yield Protection] and Section 5.7 [Indemnity]).

5.4 Reserved.

5.5 Increased Costs; Yield Protection. Within ten (10) Business Days of written demand therefor, together with written evidence of the justification therefor, the Borrowers jointly and severally agree to pay the Lender all direct costs incurred, any losses suffered or payments made by the Lender as a result of any Change in Law (hereinafter defined), imposing any reserve (without duplication of the LIBOR Reserve), deposit, allocation of capital or similar requirement (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) on the Lender, its holding company or any of their respective assets relative to the Revolving Credit Commitment of Revolving Credit Loans. "**Change in Law**" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any governmental authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any governmental authority; provided that

notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Lender for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued. Notwithstanding the foregoing, Borrowers shall not be required to compensate the Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than one (1) year prior to the date that Lender notifies the Borrowers of the change giving rise to such increased costs or reductions and of Lender's intention to claim compensation therefor (except that, if the change giving rise to such increased costs or reductions is retroactive, then the one (1) year period referred to above shall be extended to include the period of retroactive effect thereof).

5.6 No Offsets. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be without deduction or withholding for any taxes, offsets or other deductions.

5.7 Indemnity. Each Borrower jointly and severally agrees to indemnify the Lender against any liabilities, losses or expenses (including, without limitation, loss of margin, any loss or expense sustained or incurred in liquidating or employing deposits from third parties, and any loss or expense incurred in connection with funds acquired to effect, fund or maintain any advance (or any part thereof) bearing interest under the LIBOR Rate Option which the Lender sustains or incurs as a consequence of either (i) the Borrowers' failure to make a payment on the due date thereof, (ii) the Borrowers' revocation (expressly, by later inconsistent notices or otherwise) in whole or in part of any notice given to Lender to request, convert, renew or prepay any advance bearing interest under the LIBOR Rate Option, or (iii) the Borrowers' payment or prepayment (whether voluntary, after acceleration of the maturity of this Agreement or otherwise) or conversion of any advance bearing interest under the LIBOR Rate Option on a day other than the last day of the applicable Interest Period. A notice as to any amounts payable pursuant to this paragraph (including calculations with a reasonable level of detail, when available) given to the Borrowers by the Lender shall, in the absence of manifest error, be conclusive and shall be payable within ten (10) Business Days of written demand therefor. The Borrowers' indemnification obligations hereunder shall survive the payment in full of the advances and all other amounts payable hereunder.

5.8 Interbank Market Presumption. For all purposes of this Agreement and each Note with respect to any aspects of the LIBOR Rate, any Loan under the LIBOR Rate Option, the Lender shall be presumed to have obtained rates, funding, currencies, deposits, and the like in the Relevant Interbank Market regardless of whether it did so or not; and, the Lender's determination of amounts payable under, and actions required or authorized by, Section 5.5 [Increased Costs; Yield Protection] and Section 5.7 [Indemnity] shall be calculated, at the Lender's option, as though the Lender funded each Borrowing Tranche of Loans under the LIBOR Rate Option through the purchase of deposits of the types and maturities corresponding to the deposits used as a reference in accordance with the terms hereof in determining the LIBOR Rate applicable to such Loans, whether in fact that is the case.

6. REPRESENTATIONS AND WARRANTIES

The Loan Parties, jointly and severally, represent and warrant to the Lender as follows:

6.1.1 Organization and Qualification; Power and Authority; Compliance With Laws; Title to Properties; Event of Default. Each Loan Party and each Subsidiary of each Loan Party (i) is a corporation, partnership or limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, (ii) has the lawful power to own or lease its properties and to engage in the business it presently conducts or proposes to conduct, (iii) is duly licensed or qualified and in good standing in each jurisdiction where the property owned or leased by it or the nature of the business transacted by it or both makes such licensing or qualification necessary, except where the failure to do so would not result in a Material Adverse Change, (iv) has full power to enter into, execute, deliver and carry out this Agreement and the other Loan Documents to which it is a party, to incur the Indebtedness contemplated by the Loan Documents and to perform its Obligations under the Loan Documents to which it is a party, and all such actions have been duly authorized by all necessary proceedings on its part, (v) is in compliance in all material respects with all applicable Laws (other than Environmental Laws which are specifically addressed in Section 6.1.14 [Environmental Matters]) in all jurisdictions in which any Loan Party or Subsidiary of any Loan Party is presently or will be doing business, except where the failure to do so would not constitute a Material Adverse Change, and (vi) has good and marketable title to or valid leasehold interest in all properties, assets and other rights which it purports to own or lease or which are reflected as owned or leased on its books and records, free and clear of all Liens and encumbrances except Permitted Liens. No Event of Default or Potential Default exists or is continuing.

6.1.2 Subsidiaries and Owners; Investment Companies. Schedule 6.1.2 states as of the Closing Date (i) the name of each of the Parent Company's Subsidiaries, its jurisdiction of organization and the amount, percentage and type of equity interests in such Subsidiary (the "**Subsidiary Equity Interests**"), (ii) the name of each holder of an equity interest in the Parent Company (in the case of the Parent Company, such disclosure is limited to each holder having an equity interest of 5% or more) and its Subsidiaries, the amount, percentage and type of such equity interest (the "**Parent Company Equity Interests**"), and (iii) any options, warrants or other rights outstanding to purchase any such equity interests referred to in clause (i) or (iii) (collectively with the Subsidiary Equity Interests and Parent Company Equity Interests, the "**Equity Interests**"). The Parent Company and each of its Subsidiaries has good and marketable title to all of the Subsidiary Equity Interests it purports to own, free and clear in each case of any Lien, other than Permitted Liens, and all such Subsidiary Equity Interests have been validly issued, fully paid and are nonassessable. None of the Loan Parties or Subsidiaries of any Loan Party is an "investment company" registered or required to be registered under the Investment Company Act of 1940 or under the "control" of an "investment company" as such terms are defined in the Investment Company Act of 1940 and shall not become such an "investment company" or under such "control."

6.1.3 Validity and Binding Effect. This Agreement and each of the other Loan Documents (i) has been duly and validly executed and delivered by each Loan Party named as a

party thereto, and (ii) constitutes, or will constitute, legal, valid and binding obligations of each Loan Party which is or will be a party thereto, enforceable against such Loan Party in accordance with its terms.

6.1.4 No Conflict; Material Agreements; Consents. Neither the execution and delivery of this Agreement or the other Loan Documents by any Loan Party nor the consummation of the transactions herein or therein contemplated or compliance with the terms and provisions hereof or thereof by any of them will conflict with, constitute a default under or result in any breach of (i) the terms and conditions of the certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents of any Loan Party or (ii) any Law or any material agreement or instrument or order, writ, judgment, injunction or decree to which any Loan Party or any of its Subsidiaries is a party or by which it or any of its Subsidiaries is bound or to which it is subject, or result in the creation or enforcement of any Lien, charge or encumbrance whatsoever upon any property (now or hereafter acquired) of any Loan Party or any of its Subsidiaries (other than Liens granted under the Loan Documents). There is no default under such material agreement (referred to above) and none of the Loan Parties or their Subsidiaries is bound by any contractual obligation, or subject to any restriction in any organization document, or any requirement of Law, in each case, which would result in a Material Adverse Change. No consent, approval, exemption, order or authorization of, or a registration or filing with, any Official Body or any other Person is required by any Law or any agreement in connection with the execution, delivery and carrying out of this Agreement and the other Loan Documents, except for such consents and approvals that have been duly obtained.

6.1.5 Litigation. There are no actions, suits, proceedings or investigations pending or, to the knowledge of any Loan Party, threatened against such Loan Party or any Subsidiary of such Loan Party at law or in equity before any Official Body which, if adversely determined, individually or in the aggregate would result in any Material Adverse Change. None of the Loan Parties or any Subsidiaries of any Loan Party is in violation of any order, writ, injunction or any decree of any Official Body which would result in any Material Adverse Change.

6.1.6 Financial Statements.

(i) Historical Statements. The Parent Company and its Subsidiaries (including Borrowers) have delivered to the Lender copies (by filing thereof on EDGAR) of their audited consolidated year-end financial statements for and as of the end of the fiscal year ended December 31, 2011. In addition, the Parent Company and its Subsidiaries (including Borrowers) have delivered to the Lender copies of their (A) unaudited consolidated interim financial statements for the fiscal year to date and as of the end of the fiscal quarter ended March 31, 2012 and (B) unaudited consolidated interim financial statements for the fiscal year to date as of the fiscal quarter ended June 30, 2012 (all such annual and interim statements being collectively referred to as the "**Statements**"). The Statements were compiled from the books and records maintained by the Parent Company and its Subsidiaries' management, are correct and complete and fairly represent the consolidated and consolidating financial condition of the Parent Company and its Subsidiaries (including Borrowers) as of the respective dates thereof and the

results of operations for the fiscal periods then ended and have been prepared in accordance with GAAP consistently applied, subject (in the case of the interim statements) to normal year-end audit adjustments.

(ii) Accuracy of Financial Statements. Neither any Borrower nor any Subsidiary of the Borrowers has any liabilities, contingent or otherwise, or forward or long-term commitments that are not disclosed in the Statements or in the notes thereto, and except as disclosed therein there are no unrealized or anticipated losses from any commitments of any Borrower or any Subsidiary of the Borrowers which may cause a Material Adverse Change. Since December 31, 2011, and with respect to future advances, since the date of the most recently delivered audited financial statements delivered pursuant to this Agreement, no Material Adverse Change has occurred.

6.1.7 Margin Stock. None of the Loan Parties or any Subsidiaries of any Loan Party engages or intends to engage principally, or as one of its important activities, in the business of extending credit for the purpose, immediately, incidentally or ultimately, of purchasing or carrying margin stock (within the meaning of Regulation U, T or X as promulgated by the Board of Governors of the Federal Reserve System). No part of the proceeds of any Loan has been or will be used, immediately, incidentally or ultimately, to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or which is inconsistent with the provisions of the regulations of the Board of Governors of the Federal Reserve System. None of the Loan Parties or any Subsidiary of any Loan Party holds or intends to hold margin stock in such amounts that more than 25% of the reasonable value of the assets of any Loan Party or Subsidiary of any Loan Party are or will be represented by margin stock.

6.1.8 Full Disclosure. Neither this Agreement nor any other Loan Document, nor any certificate, statement, agreement or other documents furnished to the Lender in connection herewith or therewith (as modified or supplemented, but excluding financial projection information) contains any material misstatement of fact or omits to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which they were made, not misleading. With respect to projected financial information, the Borrowers represent and warrant only that such information reflects their good faith estimates as of the date of preparation thereof, based upon methods and data the Borrowers believe to be reasonable and accurate, notwithstanding that actual results may differ materially from such projected financial information.

6.1.9 Taxes. All federal tax returns, and all state, local and other tax returns as to which the failure to file would result in a Material Adverse Change, required to have been filed with respect to each Loan Party and each Subsidiary of each Loan Party have been filed, and payment or adequate provision has been made for the payment of all taxes, fees, assessments and other governmental charges which have or may become due pursuant to said returns or to assessments received, except to the extent that such taxes, fees, assessments and other charges are being contested in good faith by appropriate proceedings diligently conducted and for which such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made.

6.1.10 Patents, Trademarks, Copyrights, Licenses, Etc. Each Loan Party and each Subsidiary of each Loan Party owns or possesses all the material patents, trademarks, service marks, trade names, copyrights, licenses, registrations, franchises, permits and rights necessary to own and operate its properties and to carry on its business as presently conducted and planned to be conducted by such Loan Party or Subsidiary, without known possible, alleged or actual conflict with the rights of others (except for any such conflict which would not result in a Material Adverse Change).

6.1.11 Liens in the Collateral. The Liens in the Collateral granted to the Lender pursuant to the Loan Documents, other than Liens in Subsidiary Equity Interests in Foreign Subsidiaries as to which the Lender has not required that it obtain Prior Security Interests, constitute and will continue to constitute Prior Security Interests and are subject only to Permitted Liens. All filing fees and other expenses in connection with the perfection of such Liens have been or will be paid by the Borrowers.

6.1.12 Insurance. The properties of each Loan Party and each of its Subsidiaries are insured pursuant to policies and other bonds which are valid and in full force and effect and which provide adequate coverage from reputable and financially sound insurers in amounts sufficient to insure the assets and risks of each such Loan Party and Subsidiary in accordance with prudent business practice in the industry of such Loan Parties and Subsidiaries.

6.1.13 ERISA Compliance.

(i) Each Pension Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state Laws, except where such failure to comply would not result in a Material Adverse Change. Each Pension Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter or prototype opinion letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the best knowledge of Borrowers, nothing has occurred which would prevent, or cause the loss of, such qualification. Each Borrower and each ERISA Affiliate have made all required contributions to each Pension Plan, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Pension Plan.

(ii) No ERISA Event has occurred or is reasonably expected to occur; (a) each Pension Plan is in compliance in all material respects with the minimum funding requirements of Section 412 and 430 of the Code; (b) neither any Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA or contributions due and not delinquent); (c) neither any Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Sections 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (d) neither any Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA.

(iii) Notwithstanding the foregoing, as of the Closing Date, no Loan Party or ERISA Affiliate sponsors, maintains, participates in or has any liability under any Pension Plan.

6.1.14 Environmental Matters. Each Loan Party is and, to the knowledge of each respective Loan Party and each of its Subsidiaries is and has been (a) as of the Closing Date, in compliance with applicable Environmental Laws except as disclosed on Schedule 6.1.14, provided that such matters so disclosed would not in the aggregate result in a Material Adverse Change, and (b) as of any other date on which the representations set forth in this Section 6.1.14 are or are deemed made, in compliance with applicable Environmental Laws, except for any non-compliance which would not result in a Material Adverse Change.

6.1.15 Solvency. Before and after giving effect to the initial Loans hereunder, each of the Loan Parties is Solvent.

7. CONDITIONS OF LENDING AND ISSUANCE OF LETTERS OF CREDIT

The obligation of the Lender to make Loans and to issue Letters of Credit hereunder is subject to the performance by each of the Loan Parties of its Obligations to be performed hereunder at or prior to the making of any such Loans or issuance of such Letters of Credit and to the satisfaction of the following further conditions:

7.1 First Loans and Letters of Credit.

7.1.1 Deliveries. On the Closing Date, the Lender shall have received each of the following in form and substance satisfactory to the Lender:

(i) A certificate of each of the Loan Parties signed by an Authorized Officer, dated the Closing Date stating that (w) all representations and warranties of the Loan Parties set forth in this Agreement are true and correct in all material respects (except for those representations and warranties that are qualified by reference to materiality, which shall be true and correct in all respects), (x) no Event of Default or Potential Default exists, and (y) no Material Adverse Change has occurred since December 31, 2011;

(ii) A certificate dated the Closing Date and signed by the Secretary or an Assistant Secretary of each of the Loan Parties, certifying as appropriate as to: (a) all action taken by each Loan Party to duly authorize the execution, delivery and performance of this Agreement and the other Loan Documents; (b) the names of the Authorized Officers authorized to sign the Loan Documents and their true signatures; (c) copies of its organizational documents as in effect on the Closing Date certified by the appropriate state official where such documents are filed in a state office; and (d) certificates from the appropriate state officials as to the continued existence and good standing of each Loan Party in each state where organized;

(iii) This Agreement and each of the other Loan Documents duly signed by an Authorized Officer and each other party thereto;

(iv) All appropriate financing statements and appropriate stock powers and certificates evidencing the pledged Subsidiary Equity Interests and valid perfection of the Liens

of the Loan Documents therein and in the Collateral as first priority Liens subject to no Liens except for Permitted Liens, including without limitation, except as relates to Subsidiary Equity Interests in Foreign Subsidiaries as to which the Lender has not required that it obtain Prior Security Interests, valid perfection (or foreign equivalent) of the Liens under applicable foreign law;

(v) Written opinions of U.S. and foreign counsel for the Loan Parties, dated the Closing Date;

(vi) Evidence that adequate insurance, including flood insurance, if applicable, required to be maintained under this Agreement is in full force and effect, in form and substance reasonably satisfactory to the Lender;

(vii) A duly completed Compliance Certificate as of the last day of the fiscal quarter of Borrowers most recently ended prior to the Closing Date, signed by an Authorized Officer of Borrowers;

(viii) All material consents required to effectuate the transactions contemplated hereby;

(ix) A Lien search in acceptable scope and with acceptable results;

(x) Such environmental information and reports as the Lender may have requested;

(xi) A certificate of the Borrowers certifying as the delivery of each of the deliveries of the Borrowers to the Lender required in Sections 7.1.1(a) through (x) (but not certifying as to the Lender’s satisfaction therewith);

(xii) A Loan Request for any Loans being requested on the Closing Date; and

(xiii) Such other documents in connection with such transactions as the Lender or said counsel may have reasonably requested.

7.1.2 Payment of Fees. The Borrowers shall have paid all fees payable on or before the Closing Date as required by this Agreement or any other Loan Document.

7.2 Each Loan or Letter of Credit. At the time of making any Loans or issuing, extending or increasing any Letters of Credit and after giving effect to the proposed extensions of credit: (i) the representations and warranties of the Loan Parties in the Loan Documents shall then be true and correct in all material respects (except for those representations and warranties that are qualified by reference to materiality, which shall be true and correct in all respects), (ii) no Event of Default or Potential Default shall have occurred and be continuing, and (iii) the Borrowers shall have delivered to the Lender a duly executed and completed Loan Request or an application for a Letter of Credit, as the case may be.

8. COVENANTS

The Loan Parties, jointly and severally, covenant and agree that until Payment In Full, the Loan Parties shall comply at all times with the following covenants:

8.1 Affirmative Covenants.

8.1.1 Preservation of Existence, Etc. Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain its legal existence as a corporation, limited partnership or limited liability company and its license or qualification and good standing in each jurisdiction in which its ownership or lease of property or the nature of its business makes such license or qualification necessary, except as otherwise expressly permitted in Section 8.2.6 [Liquidations, Mergers, Etc.].

8.1.2 Payment of Liabilities, Including Taxes, Etc. Each Loan Party shall, and shall cause each of its Subsidiaries to, duly pay and discharge all liabilities to which it is subject or which are asserted against it, promptly as and when the same shall become due and payable, including all taxes, assessments and governmental charges upon it or any of its properties, assets, income or profits, prior to the date on which penalties attach thereto, except to the extent that such liabilities, including taxes, assessments or charges, are being contested in good faith and by appropriate and lawful proceedings diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made.

8.1.3 Maintenance of Insurance. Each Loan Party shall, and shall cause each of its Subsidiaries to, insure its properties and assets against loss or damage by fire and such other insurable hazards as such assets are commonly insured (including fire, extended coverage, property damage, workers' compensation, public liability and business interruption insurance) and against other risks (including errors and omissions) in such amounts as similar properties and assets are insured by prudent companies in similar circumstances carrying on similar businesses, and with reputable and financially sound insurers.

8.1.4 Maintenance of Properties and Leases. Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain in good repair, working order and condition (ordinary wear and tear excepted) in accordance with the general practice of other businesses of similar character and size, all of those properties useful or necessary to its business, and from time to time, such Loan Party will make or cause to be made all commercially reasonable repairs, renewals or replacements thereof.

8.1.5 Visitation Rights. Each Loan Party shall, and shall cause each of its Subsidiaries to, permit any of the officers or authorized employees or representatives of the Lender to visit and inspect any of its properties and to examine and make excerpts from its books and records and discuss its business affairs, finances and accounts with its officers, all in such detail and at such times and as often as the Lender may reasonably request, provided that the Lender shall provide the Borrowers with reasonable notice prior to any visit or inspection.

8.1.6 Keeping of Records and Books of Account. Each Borrower shall, and shall cause each Subsidiary of the Borrowers to, maintain and keep proper books of record and account which enable the Borrowers and their Subsidiaries to issue financial statements in

accordance with GAAP and as otherwise required by applicable Laws of any Official Body having jurisdiction over any Borrower or any Subsidiary of the Borrowers, and in which full, true and correct entries shall be made in all material respects of all its dealings and business and financial affairs.

8.1.7 Compliance with Laws; Use of Proceeds. Each Loan Party shall, and shall cause each of its Subsidiaries to, comply with all applicable Laws, including all Environmental Laws, in all material respects. The Loan Parties will use the Letters of Credit and the proceeds of the Loans only in accordance with Section 2.6 [Use of Proceeds] and as permitted by applicable Law.

8.1.8 Further Assurances. Each Loan Party shall, from time to time, at its expense, faithfully preserve and protect the Lender's Lien on and Prior Security Interest in the Collateral whether now owned or hereafter acquired as a continuing first priority perfected Lien, subject only to Permitted Liens, and shall do such other acts and things as the Lender in its sole discretion may deem necessary or advisable from time to time in order to preserve, perfect and protect the Liens granted under the Loan Documents and to exercise and enforce its rights and remedies thereunder with respect to the Collateral.

8.1.9 Depository Accounts. The Borrowers shall maintain their primary depository accounts and treasury management services with the Lender.

8.2 Negative Covenants.

8.2.1 Indebtedness. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time create, incur, assume or suffer to exist any Indebtedness, except:

(i) Indebtedness under the Loan Documents;

(ii) [intentionally omitted];

(iii) Existing Indebtedness as set forth on Schedule 8.2.1 (including any extensions or renewals thereof; provided there is no increase in the amount thereof or other significant change in the terms thereof unless otherwise specified on Schedule 8.2.1;

(iv) Indebtedness incurred with respect to Purchase Money Security Interests and Capital Leases so long as no Potential Default or Event of Default will be caused by the incurrence thereof hereunder (including without limitation under a financial covenant set forth herein);

(v) Any (i) Lender Provided Interest Rate Hedge, (ii) other Interest Rate Hedges approved by the Lender and not otherwise causing a Potential Default or Event of Default hereunder (including without limitation under a financial covenant set forth herein), or (iii) Indebtedness under any Other Lender Provided Financial Services Product; provided however, the Loan Parties and their Subsidiaries shall enter into a Lender Provided Interest Rate Hedges or other Interest Rate Hedges only for hedging (rather than speculative) purposes;

(vi) Guaranties permitted by Section 8.2.3 [Guaranties];

(vii) Indebtedness arising from intercompany loans and advances permitted by Section 8.2.4 [Loans and Investments];

(viii) Indebtedness assumed in a Permitted Acquisition so long as no Potential Default or Event of Default will be caused by the incurrence thereof hereunder (including without limitation under a financial covenant set forth herein);

(ix) unsecured Subordinated Debt;

(x) additional unsecured Indebtedness so long as no Potential Default or Event of Default will be caused by the incurrence thereof hereunder (including without limitation under a financial covenant set forth herein); and

(xi) additional secured Indebtedness so long as no Potential Default or Event of Default will be caused by the incurrence thereof hereunder (including without limitation under a financial covenant set forth herein).

8.2.2 Liens; Lien Covenants. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time create, incur, assume or suffer to exist any Lien on any of its property or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except Permitted Liens.

8.2.3 Guaranties. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time, directly or indirectly, become or be liable in respect of any Guaranty, or assume, guarantee, become surety for, endorse or otherwise agree, become or remain directly or contingently liable upon or with respect to any obligation or liability of any other Person, except for (i) Indebtedness in the form of Guaranties of Indebtedness permitted under Section 8.2.1 [Indebtedness], provided that the aggregate amount of such Guaranties by the Parent Company or its domestic Subsidiaries of obligations of foreign Subsidiaries shall not exceed in the aggregate at any time $5,000,000, and (iii) Guaranties in favor of the Lender.

8.2.4 Loans and Investments. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time make or suffer to remain outstanding any loan or advance to, or purchase, acquire or own any stock, bonds, notes or securities of, or any partnership interest (whether general or limited) or limited liability company interest in, or any other investment or interest in, or make any capital contribution to, any other Person, or agree, become or remain liable to do any of the foregoing, except:

(i) trade credit extended on usual and customary terms in the ordinary course of business;

(ii) loans or advances to employees in the ordinary course of business;

(iii) Permitted Investments;

(iv) loans, advances and investments by: (A) any Loan Party in or to any other Loan Party; (B) any Subsidiary of the Parent Company that is not a Loan Party in or to any other Subsidiary of the Parent Company that is not a Loan Party; (C) any Subsidiary of the Parent Company that is not a Loan Party in or to any Loan Party, which, if in the form of Indebtedness, is Subordinated Debt; and (D) any Loan Party in any Subsidiary of the Parent Company that is not a Loan Party, in the case of this clause (D), in an aggregate amount not to exceed $5,000,000 outstanding at any time for all such loans, advances and investments;

(v) investments made in connection with Permitted Acquisitions in accordance with Section 8.2.1 [Indebtedness], 8.2.6 [Liquidations, Mergers, Consolidations, Acquisitions] and/or Section 8.2.9 [Subsidiaries]; and

(vi) additional loans, advances and investments in any aggregate amount not to exceed $5,000,000 outstanding at any time.

8.2.5 Dividends and Related Distributions. Unless no Potential Default or Event of Default is occurring or would be triggered thereby (including without limitation under the financial covenants set forth herein), each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, make or pay, or agree to become or remain liable to make or pay, any dividend or other distribution of any nature (whether in cash, property, securities or otherwise) on account of or in respect of its shares of capital stock, partnership interests or limited liability company interests on account of the purchase, redemption, retirement or acquisition of its shares of capital stock (or warrants, options or rights therefor), partnership interests or limited liability company interests, except dividends or other distributions payable to another Loan Party.

8.2.6 Liquidations, Mergers, Consolidations, Acquisitions. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, dissolve, liquidate or wind-up its affairs, or become a party to any merger or consolidation, or acquire by purchase, lease or otherwise all or substantially all of the assets or capital stock of any other Person other than dissolutions and liquidations permitted under Section 8.2.7; provided that:

(i) (A) any Loan Party and any Subsidiary of a Loan Party (other than the Borrowers) may consolidate or merge into another Loan Party, and (B) any Subsidiary of the Parent Company that is not a Loan Party may consolidate or merge into a Loan Party or another Subsidiary of the Parent Company that is not a Loan Party, and

(ii) any Loan Party or any Subsidiary thereof may acquire, whether by purchase or by merger, (A) all of the ownership interests of another Person or (B) substantially all of assets of another Person or of a business or division of another Person (each, a "**Permitted Acquisition**"), provided that each of the following requirements is met for each Permitted Acquisition:

a) if such Loan Party or Subsidiary is acquiring the ownership interests in such Person, such Person shall comply with the requirements of Section 8.2.9 [Subsidiaries] promptly following such Permitted Acquisition;

b) the business acquired, or the business conducted by the Person whose ownership interests are being acquired shall comply with Section 8.2.10 [Continuation of or Change in Business];

c) no Potential Default or Event of Default shall exist immediately prior to and after giving effect to such Permitted Acquisition;

d) the Borrowers and their Subsidiaries shall be in compliance with the financial covenants set forth herein determined on a pro forma basis after giving effect to such Permitted Acquisition (including in such computation (i) Indebtedness or other liabilities assumed or incurred in connection with such Permitted Acquisition, and (ii) EBITDA attributable to the acquired Person, business or division as if such acquisition had occurred at the beginning of such period of determination) and the Borrowers shall have delivered to the Lender a Compliance Certificate demonstrating such pro-forma compliance (such certificate to be in form and substance reasonably acceptable to the Lender), at least two (2) Business Days prior to consummating such Permitted Acquisition; and

e) the Loan Parties shall deliver to the Lender as soon as available prior to, or if not available prior to then within five (5) Business Days after the consummation of, a Permitted Acquisition copies of any agreements entered into by such Loan Party or Subsidiary in connection with such Permitted Acquisition and shall deliver to the Lender such other information about such Person or its assets as any Loan Party may reasonably require.

8.2.7 Dispositions of Assets or Subsidiaries. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, sell, convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily, any of its properties or assets, tangible or intangible (including sale, assignment, discount or other disposition of accounts, contract rights, chattel paper, equipment or general intangibles with or without recourse or of capital stock, shares of beneficial interest, partnership interests or limited liability company interests of a Subsidiary of such Loan Party), except:

(i) transactions involving the sale of inventory in the ordinary course of business;

(ii) any sale, transfer or lease of assets in the ordinary course of business which are no longer necessary or required in the conduct of such Loan Party's or such Subsidiary's business;

(iii) any sale, transfer or lease of assets by:

(A) any Loan Party to another Loan Party;

(B) any Subsidiary of the Parent Company that is not a Loan Party to another Subsidiary of the Parent Company that is not a Loan Party;

(C) any Subsidiary of the Parent Company that is not a Loan Party to

a Loan Party, or any Loan Party to any Subsidiary of the Parent Company that is not a Loan Party, in each case in the ordinary course of business substantially consistent with past practice ("**Ordinary Course**");

(D) any Subsidiary of the Parent Company that is not a Loan Party to a Loan Party, outside the Ordinary Course, provided that the consideration paid by such Loan Party (x) must not be greater than fair market value, (y) if paid as Indebtedness, is permitted under Section 8.2.1 [Indebtedness], and (z) when added with the outstanding loans, investments and advances made by Loan Parties in Subsidiaries of the Parent Company that are not Loan Parties pursuant to Section 8.2.4(iv)(D), does not exceed $5,000,000 in the aggregate; and

(E) any Loan Party to any Subsidiary of the Parent Company that is not a Loan Party, outside the Ordinary Course, provided that (x) the consideration paid by such Subsidiary must not be less than fair market value, (y) if paid as Indebtedness, is permitted under Section 8.2.1 [Indebtedness], and (z) the fair market value of such sold, transferred or leased assets, when added with the outstanding loans, investments and advances made by Loan Parties in Subsidiaries of the Parent Company that are not Loan Parties pursuant to Section 8.2.4(iv)(D), does not exceed $5,000,000 in the aggregate;

(iv) any sale, transfer or lease of assets in the ordinary course of business which are replaced by substitute assets acquired or leased;

(v) [intentionally omitted];

(vi) dividends and distributions permitted by Section 8.2.5 [Dividends and Related Distributions];

(vii) investments, advances and loans permitted by Section 8.2.4 [Loans and Investments];

(viii) assignments, licenses and sublicenses of intellectual property in the ordinary course of business; and

(ix) any additional sales, transfers or leases of assets for fair market value, the aggregate fair market value of which for all such sales, transfers or leases during any fiscal year does not exceed $2,000,000 for such fiscal year.

8.2.8 Affiliate Transactions. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, enter into or carry out any transaction with any Affiliate of any Loan Party (including purchasing property or services from or selling property or services to any Affiliate of any Loan Party or other Person) unless such transaction is not otherwise prohibited by this Agreement, is entered into in the ordinary course of business upon fair and reasonable arm's-length terms and in accordance with all applicable Law.

8.2.9 Subsidiaries. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to own or create directly or indirectly any Subsidiaries other than:

(i) any domestic Subsidiary existing as of the Closing Date which has joined the Loan Documents as a Guarantor as of the Closing Date, and as to which (A) 100% of the issued and outstanding equity interests of such domestic Subsidiary have been pledged to the Lender under the Pledge Agreement and (B) the Lender has been granted a Lien in the Collateral of such domestic Subsidiary under the Security Agreement;

(iv) any domestic Subsidiary created or acquired after the Closing Date which joins the Loan Documents as a Guarantor by delivering to the Lender a signed Guarantor Joinder and other documents in the forms described in Section 7.1 [First Loans] modified as appropriate and in form and substance satisfactory to the Lender, and as to which (A) 100% of the issued and outstanding equity interests of such domestic Subsidiary have been pledged to the Lender under the Pledge Agreement and (B) the Lender has been granted a Lien in the Collateral of such domestic Subsidiary under the Security Agreement;

(v) any foreign Subsidiary, existing as of the Closing Date as to which, if it is a 1st tier foreign Subsidiary, 65% of all issued and outstanding equity interests of such 1st tier foreign Subsidiary are pledged to the Lender under the Pledge Agreement, including delivery to the Lender of documents necessary to grant and perfect Prior Security Interests to the Lender in equity interests of such 1st tier foreign Subsidiary under the laws of its jurisdiction, all of which is satisfactory in form and substance to the Lender, provided that Lender shall not require perfection in such foreign jurisdiction to the extent (i) such pledge would be unlawful under applicable Law, and (ii) in the reasonable discretion of the Lender (in consultation with the Borrowers), the costs and burdens of obtaining such pledge are excessive in relation to the value of the security being afforded by such pledge; and

(vi) any foreign Subsidiary created or acquired after the Closing Date as to which, if it is a 1st tier foreign Subsidiary, 65% of all issued and outstanding equity interests of such foreign Subsidiary are pledged to the Lender under the Pledge Agreement, including delivery to the Lender of documents necessary to grant and perfect Prior Security Interests to the Lender in equity interests of such foreign Subsidiary under the laws of its jurisdiction if so required by Lender, all of which is satisfactory in form and substance to the Lender, provided that Lender shall not require perfection in such foreign jurisdiction to the extent (i) such pledge would be unlawful under applicable Law, and (ii) in the reasonable discretion of the Lender (in consultation with the Borrowers), the costs and burdens of obtaining such pledge are excessive in relation to the value of the security being afforded by such pledge.

8.2.10 Continuation of or Change in Business. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, engage in any business if, as a result, the general nature of the business in which the Loan Parties and their Subsidiaries, taken as a whole, would then be engaged would be substantially changed from the general nature of the business in which the Loan Parties and their Subsidiaries, taken as a whole, are engaged on the Closing Date.

8.2.11 Fiscal Year. Each Borrower shall not, and shall not permit any Subsidiary of the Borrowers to, change its fiscal year from the twelve-month period beginning January 1 and ending December 31, without providing at least thirty (30) Business Days prior

written notice to the Lender.

8.2.12 Changes in Organizational Documents. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, amend in any respect its certificate of incorporation (including any provisions or resolutions relating to capital stock), by-laws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents without, if such change would be materially adverse to the Lender, providing at least thirty (30) days' prior written notice to the Lender. Notwithstanding the foregoing, if any Loan Party party as a grantor under the Pledge Agreement or Security Agreement changes its jurisdiction of organization from that listed on Schedule 6.1.2 or anyone other than such Loan Party party as a grantor under the Pledge Agreement comes to own any equity interests pledged under the Pledge Agreement or if any new equity interests (whether by increase of amount or creation of a new class or type, or otherwise) in any issuer referenced in the Pledge Agreement exist, Borrowers shall provide Lender with immediate written notice thereof and promptly deliver such documents, instruments or certificates as Lender may require to perfect or continue perfection of its Lien pursuant to the Pledge Agreement and Security Agreement and promptly take any other actions required pursuant to the Pledge Agreement or Security Agreement.

8.2.13 Maximum Debt Ratio. The Loan Parties shall not at any time permit the ratio of consolidated Funded Debt of the Borrowers and their Subsidiaries to Consolidated EBITDA, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, to exceed 2.0 to 1.0.

8.2.14 Minimum Fixed Charge Coverage Ratio. The Loan Parties shall not permit the Fixed Charge Coverage Ratio of the Borrowers and their Subsidiaries, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, to be less than 1.25 to 1.0.

8.2.15 Negative Pledges. Each of the Loan Parties covenants and agrees that it shall not, and shall not permit any of its Subsidiaries to, enter into any Agreement with any Person which, in any manner, whether directly or contingently, prohibits, restricts or limits the right of any of the Loan Parties from granting any Liens to the Lender.

8.3 Reporting Requirements. The Loan Parties will furnish or cause to be furnished to the Lender:

8.3.1 Quarterly Financial Statements. As soon as available and in any event within sixty (60) calendar days after the end of each of the first three fiscal quarters in each fiscal year, financial statements of the Parent Company and its Subsidiaries (including Borrowers), consisting of a consolidated balance sheet as of the end of such fiscal quarter and related consolidated statement of income and consolidated statement of cash flows for the fiscal quarter then ended and the fiscal year through that date, all in reasonable detail and certified (subject to normal year-end audit adjustments) by an Authorized Officer of the Borrowers as having been prepared in accordance with GAAP, consistently applied, and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year. Delivery within the time period specified above of copies of the Parent Company's Report

on Form 10-Q prepared in compliance with the requirements thereunder and filed with the SEC shall be deemed to satisfy the requirements of this Section.

8.3.2 Annual Financial Statements.

8.3.2.1 Consolidated Financial Statements. As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of the Borrowers, financial statements of the Parent Company and its Subsidiaries (including Borrowers) consisting of a consolidated balance sheet as of the end of such fiscal year, and related consolidated statement of income and stockholders' equity and statement of cash flows for the fiscal year then ended, all in reasonable detail and setting forth in comparative form the financial statements as of the end of and for the preceding fiscal year, and certified by independent certified public accountants of nationally recognized standing reasonably satisfactory to the Lender as presenting fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and having been prepared in conformity with GAAP. Delivery within the time period specified above of copies of the Parent Company's Report on Form 10-K prepared in compliance with the requirements thereunder and filed with the SEC shall be deemed to satisfy the requirements of this Section; and

8.3.2.2 Consolidating Financial Statements. As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of the Borrowers, financial statements of the Parent Company and its Subsidiaries (including Borrowers) consisting of a consolidating balance sheet as of the end of such fiscal year, and related consolidating statement of income and stockholders' equity and statement of cash flows for the fiscal year then ended, all in reasonable detail and setting forth in comparative form the financial statements as of the end of and for the preceding fiscal year, and certified (subject to normal year-end audit adjustments) by an Authorized Officer of the Borrowers as having been prepared in accordance with GAAP, consistently applied, and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year (it being understood and agreed, however, that the aforementioned consolidating statements may utilize the Parent Company's internal accounting format consistent with past practice).

8.3.3 Certificates of the Borrowers. Concurrently with the financial statements of the Borrowers furnished to the Lender pursuant to Sections 8.3.1 [Quarterly Financial Statements] and 8.3.2 [Annual Financial Statements], a certificate of the Borrowers signed by an Authorized Officer of the Borrowers in the form of Exhibit 8.3.3.1 (each a "**Compliance Certificate**").

8.3.4 Notices.

8.3.4.1 Default. Promptly after any officer of any Loan Party has learned of the occurrence of an Event of Default or Potential Default, a certificate signed by an Authorized Officer setting forth the details of such Event of Default or Potential Default and the action which such Loan Party proposes to take with respect thereto.

8.3.4.2 Litigation. Promptly after the commencement thereof, notice of all actions, suits, proceedings or investigations before or by any Official Body or any other Person against any Loan Party or Subsidiary of any Loan Party which related to the Collateral or which if adversely determined would constitute a Material Adverse Change.

8.3.4.3 Organizational Documents. If any amendment to the organizational documents of any Loan Party is required to be delivered to Lender pursuant to Section 8.2.12, within the time limits set forth in Section 8.2.12 [Changes in Organizational Documents].

8.3.4.4 Erroneous Financial Information. Promptly and any in event within five (5) Business Days in the event that the Borrowers or their accountants conclude or advise that any previously issued financial statement, audit report or interim review should no longer be relied upon or that disclosure should be made or action should be taken to prevent future reliance.

8.3.4.5 ERISA Event. Promptly upon the occurrence of any ERISA Event.

8.3.4.6 Other Reports. Promptly upon their becoming available to the Borrowers:

(i) Financial Projections. If the Parent Company hereafter ceases to be publicly traded on a U.S. stock exchange, within sixty (60) days after commencement of each fiscal year of the Parent Company, the annual projections of the Parent Company and its Subsidiaries for the then-current fiscal year.

(ii) Material Management Letters. Any material reports including material management letters submitted to the Borrowers by independent accountants in connection with any annual, interim or special audit, and

(iii) Other Material Information. Copies of each material public filing as to any Loan Party or their Subsidiaries (or notice of the filing thereof on EDGAR), and such other reports and information as the Lender may from time to time reasonably request.

9. DEFAULT

9.1 Events of Default. An Event of Default shall mean the occurrence or existence of any one or more of the following events or conditions (whatever the reason therefor and whether voluntary, involuntary or effected by operation of Law):

9.1.1 Payments Under Loan Documents. The Borrowers shall fail to pay any principal of any Loan (including scheduled installments, mandatory prepayments or the payment due at maturity), Reimbursement Obligation or Letter of Credit or Obligation or any interest on any Loan, Reimbursement Obligation or Letter of Credit Obligation or any other amount owing hereunder or under the other Loan Documents on the date on which such principal, interest or other amount becomes due in accordance with the terms hereof or thereof; provided, however,

that the Borrowers shall have a grace period of three (3) Business Days for the payment of amounts owing hereunder or under the other Loan Documents other than principal and interest.

9.1.2 Breach of Warranty. Any representation or warranty made at any time by any of the Loan Parties herein or by any of the Loan Parties in any other Loan Document, or in any certificate, other instrument or statement furnished pursuant to the provisions hereof or thereof, shall prove to have been false or misleading in any material respect as of the time it was made or furnished;

9.1.3 Breach of Negative Covenants or Visitation Rights. Any of the Loan Parties shall default in the observance or performance of any covenant contained in Section 8.1.5 [Visitation Rights] or Section 8.2 [Negative Covenants];

9.1.4 Breach of Other Covenants. Any of the Loan Parties shall default in the observance or performance of any other covenant, condition or provision hereof or of any other Loan Document and such default shall continue unremedied for a period of thirty (30) days (provided that no such grace period shall apply to Sections 8.3.1 [Quarterly Financial Statements], 8.3.2 [Annual Financial Statements] and 8.3.3 [Certificates of Borrowers]);

9.1.5 Defaults in Other Agreements or Indebtedness. A default or event of default shall occur at any time under the terms of any other agreement involving borrowed money or the extension of credit or any other Indebtedness under which any Loan Party or Subsidiary of any Loan Party may be obligated as a borrower or guarantor in excess of $5,000,000 in the aggregate, and such breach, default or event of default consists of the failure to pay (beyond any period of grace permitted with respect thereto, whether waived or not) any Indebtedness when due (whether at stated maturity, by acceleration or otherwise) or if such breach or default permits or causes the acceleration of any Indebtedness (whether or not such right shall have been waived) or the termination of any commitment to lend;

9.1.6 [reserved].

9.1.7 Final Judgments or Orders. Any final judgments or orders for the payment of money in excess of $5,000,000 in the aggregate, not covered by insurance, shall be entered against any Loan Party or any Subsidiary of a Loan Party by a court having jurisdiction in the premises, which judgment or is not discharged, vacated, bonded or stayed pending appeal within a period of thirty (30) days from the date of entry;

9.1.8 Loan Document Unenforceable. Any of the Loan Documents shall cease to be legal, valid and binding agreements enforceable against the party executing the same or such party's successors and assigns (as permitted under the Loan Documents) in accordance with the respective terms thereof or shall in any way be terminated (except in accordance with its terms) or become or be declared ineffective or inoperative or shall in any way be challenged or contested or cease to give or provide the respective Liens, security interests, rights, titles, interests, remedies, powers or privileges intended to be created thereby;

9.1.9 Uninsured Losses; Proceedings Against Assets. There shall occur any uninsured damage to or loss, theft or destruction of any of assets or properties of the Loan Party

or any Subsidiary of a Loan Party in excess of $5,000,000 or any of the Loan Parties' or any of their Subsidiaries' assets with a fair market value of $5,000,000 or greater are attached, seized, levied upon or subjected to a writ or distress warrant; or such come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors and the same is not cured within thirty (30) days thereafter;

9.1.10 Events Relating to Plans and Benefit Arrangements. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of any Loan Party or any Subsidiary of a Loan Party under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of $5,000,000, or (ii) any Loan Party or any Subsidiary of a Loan Party or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of $5,000,000;

9.1.11 Change in Control. If any Change in Control shall occur.

9.1.12 Relief Proceedings. (i) A Relief Proceeding shall have been instituted against any Loan Party or Subsidiary of a Loan Party and such Relief Proceeding shall remain undismissed or unstayed and in effect for a period of thirty (30) consecutive days or such court shall enter a decree or order granting any of the relief sought in such Relief Proceeding, (ii) any Loan Party or Subsidiary of a Loan Party institutes, or takes any action in furtherance of, a Relief Proceeding, or (iii) any Loan Party or any Subsidiary of a Loan Party ceases to be Solvent or admits in writing its inability to pay its debts as they mature.

9.2 Consequences of Event of Default.

9.2.1 Events of Default Other Than Bankruptcy, Insolvency or Reorganization Proceedings. If an Event of Default specified under Sections 9.1.1 through 9.1.11 shall occur and be continuing, the Lender shall be under no further obligation to make Loans or under no obligation to issue Letters of Credit and the Lender may (i) by written notice to the Borrowers, declare the unpaid principal amount of the Notes then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrowers to the Lender hereunder and thereunder to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable to the Lender without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, and (ii) require the Borrowers to, and the Borrowers shall thereupon, deposit in a non-interest-bearing account with the Lender, as cash collateral for its Obligations under the Loan Documents, an amount equal to the maximum amount currently or at any time thereafter available to be drawn on all outstanding Letters of Credit, and the Borrowers hereby pledge to the Lender, and grant to the Lender a security interest in, all such cash as security for such Obligations; and

9.2.2 Bankruptcy, Insolvency or Reorganization Proceedings. If an Event of Default specified under Section 9.1.12 [Relief Proceedings] shall occur, the Lender shall be under no further obligations to make Loans hereunder and shall be under no obligation to issue Letters of Credit and the unpaid principal amount of the Loans then outstanding and all interest

accrued thereon, any unpaid fees and all other Indebtedness of the Borrowers to the Lender hereunder and thereunder shall be immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived; and

9.2.3 Set-off. If an Event of Default shall have occurred and be continuing, the Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by the Lender or any such Affiliate to or for the credit or the account of any Loan Party against any and all of the Obligations of such Loan Party now or hereafter existing under this Agreement or any other Loan Document to the Lender or Affiliate, irrespective of whether or not the Lender or Affiliate shall have made any demand under this Agreement or any other Loan Document and although such Obligations of such Borrower or such Loan Party may be contingent or unmatured or are owed to a branch or office of the Lender different from the branch or office holding such deposit or obligated on such Indebtedness. The rights of the Lender and its Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that the Lender or its Affiliates may have. The Lender agrees to notify the Borrowers promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application; and

9.2.4 Application of Proceeds. From and after the date on which the Lender has taken any action pursuant to this Section 9.2 and until all Obligations of the Loan Parties have been paid in full, any and all proceeds received by the Lender from any sale or other disposition of any Collateral, or any part thereof, or the exercise of any other remedy by the Lender, shall be applied as follows:

(i) first, to reimburse the Lender for out-of-pocket costs, expenses and disbursements, including reasonable attorneys' fees and expenses, incurred by the Lender in connection with realizing on any Collateral or collection of any Obligations of any of the Loan Parties under any of the Loan Documents, including advances made by the Lender for the reasonable maintenance, preservation, protection or enforcement of, or realization upon, any Collateral, including advances for taxes, insurance, repairs and the like and reasonable expenses incurred to sell or otherwise realize on, or prepare for sale or other realization on, any Collateral;

(ii) second, to the repayment of all Obligations then due and unpaid of the Loan Parties to the Lender or its Affiliates incurred under this Agreement or any of the other Loan Documents or agreements evidencing any Lender Provided Interest Rate Hedge or Other Lender Provided Financial Services Obligations, whether of principal, interest, fees, expenses or otherwise and to cash collateralize the Letter of Credit Obligations, in such manner as the Lender may determine in its discretion; and

(iii) the balance, if any, as required by Law.

10. MISCELLANEOUS

10.1 Modifications, Amendments or Waivers. The Lender and the Borrowers, on behalf of the Loan Parties, may from time to time enter into written agreements amending or changing any provision of this Agreement or any other Loan Document or the rights of the Lender or the Loan Parties hereunder or thereunder, or may grant written waivers or consents hereunder or thereunder. Any such agreement, waiver or consent made with such written consent shall be effective to bind all the Loan Parties and the Lender.

10.2 No Implied Waivers; Cumulative Remedies. No course of dealing and no delay or failure of the Lender in exercising any right, power, remedy or privilege under this Agreement or any other Loan Document shall affect any other or future exercise thereof or operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further exercise thereof or of any other right, power, remedy or privilege. The rights and remedies of the Lender under this Agreement and any other Loan Documents are cumulative and not exclusive of any rights or remedies which it would otherwise have.

10.3 Expenses; Indemnity; Damage Waiver.

10.3.1 Costs and Expenses. The Borrowers shall pay (i) all out-of-pocket expenses incurred by the Lender and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Lender), and shall pay all fees and time charges and disbursements for attorneys who may be employees of the Lender, in connection with the participation of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all out-of-pocket expenses incurred by the Lender in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder, (iii) all out-of-pocket expenses incurred by the Lender (including the fees, charges and disbursements of any counsel for the Lender), and shall pay all fees and time charges for attorneys who may be employees of the Lender in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit, and (iv) all reasonable out-of-pocket expenses of the Lender’s regular employees and agents engaged periodically to perform audits of the Loan Parties’ books, records and business properties.

10.3.2 Indemnification by the Borrowers. The Borrowers shall jointly and severally indemnify the Lender (and any sub-agent thereof), and each Related Party of any of the foregoing Persons (each such Person being called an “**Indemnitee**”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Borrower or any other Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any

other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance or nonperformance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) breach of representations, warranties or covenants of the Borrowers under the Loan Documents, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, including any such items or losses relating to or arising under Environmental Laws or pertaining to environmental matters, whether based on contract, tort or any other theory, whether brought by a third party or by any Borrower or any other Loan Party, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by any Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if such Borrower or such Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction. This Section 10.3.2 [Indemnification by the Borrowers] shall not apply with respect to Taxes other than Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

10.3.3 Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable Law, the Borrowers shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in Section 10.3.2 [Indemnification by Borrowers] shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

10.3.4 Payments. All amounts due under this Section shall be payable not later than ten (10) Business Days after demand therefor.

10.4 Holidays. Whenever payment of a Loan to be made or taken hereunder shall be due on a day which is not a Business Day such payment shall be due on the next Business Day (except as provided in Section 4.2 [Interest Periods]) and such extension of time shall be included in computing interest and fees, except that the Loans shall be due on the Business Day preceding the Expiration Date if the Expiration Date is not a Business Day. Whenever any payment or action to be made or taken hereunder (other than payment of the Loans) shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall not be included in

computing interest or fees, if any, in connection with such payment or action.

10.5 Notices; Effectiveness; Electronic Communication.

10.5.1 Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in Section 10.5.2 [Electronic Communications]), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier to the applicable party hereto at its address set forth on Schedule 1.1(A).

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in Section 10.5.2 [Electronic Communications], shall be effective as provided in such Section.

10.5.2 Electronic Communications. Notices and other communications to the Lender hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Lender. The Lender or the Borrowers may, in their discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications. Unless the Lender otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

10.5.3 Change of Address, Etc. Any party hereto may change its address, e-mail address or telecopier number for notices and other communications hereunder by notice to the other parties hereto.

10.6 Severability. The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

10.7 Duration; Survival. All representations and warranties of the Loan Parties contained herein or made in connection herewith shall survive the execution and delivery of this Agreement, the completion of the transactions hereunder and Payment In Full. All covenants and agreements of the Borrowers contained herein relating to the payment of principal, interest, premiums, additional compensation or expenses and indemnification, including those set forth in the Notes, Section 5 [Payments] and Section 10.3 [Expenses; Indemnity; Damage Waiver], shall survive Payment In Full. All other covenants and agreements of the Loan Parties shall continue in full force and effect from and after the date hereof and until Payment In Full.

10.8 Successors and Assigns.

10.8.1 Successors and Assigns Generally. The provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns permitted hereby, except that neither any Borrower nor any other Loan Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lender and the Lender may not assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of Section 10.8.2 [Assignments by Lender], (ii) by way of participation in accordance with the provisions of Section 10.8.3 [Participations], or (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 10.8.4 [Certain Pledges; Successors and Assigns Generally] (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 10.8.3 [Participations] and, to the extent expressly contemplated hereby, the Related Parties of the Lender) any legal or equitable right, remedy or claim under or by reason of this Agreement.

10.8.2 Assignments by Lender. The Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and the Loans at the time owing to it). Any assignment by the Lender under this Section 10.8.2 when no Event of Default has occurred and is continuing shall be subject to the Borrowers' consent (not to be unreasonably withheld); provided, however, that if the Lender has requested Borrowers consent and no consent has been received for ten (10) days, such consent shall be deemed granted.

10.8.3 Participations. The Lender may at any time, without the consent of, or notice to, the Borrowers or the Lender, sell participations to any Person (other than a natural person or any Borrower or any of the Borrowers' Affiliates or Subsidiaries) (each, a "**Participant**") in all or a portion of the Lender's rights and/or obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and/or the Loans owing to it); provided that (i) the Lender's obligations under this Agreement shall remain unchanged, (ii) the Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers and the Lender shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under this Agreement.

10.8.4 Certain Pledges. The Lender may at any time pledge or assign a security

interest in all or any portion of its rights under this Agreement to secure obligations of the Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release the Lender from any of its obligations hereunder or substitute any such pledgee or assignee for the Lender as a party hereto.

10.9 Confidentiality.

10.9.1 General. The Lender agrees to maintain the confidentiality of the Information, except that Information may be disclosed (i) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (the "**Shared Affiliates**"), (ii) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (iii) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process, (iv) to any other party hereto, (v) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section, to (A) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (B) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrowers and their obligations, (vii) with the consent of the Borrowers or (viii) to the extent such Information (Y) becomes publicly available other than as a result of a breach of this Section or (Z) becomes available to the Lender or any of its Affiliates on a nonconfidential basis from a source other than the Borrowers or the other Loan Parties. If any disclosure is made pursuant to clause (i) above of this Section to any Shared Affiliate, such Shared Affiliates are obligated to maintain the confidential nature of such Information the same as Lender is pursuant to this Section and, if request by the Borrowers, shall reasonably confirm said obligation in writing. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

10.9.2 Sharing Information With Affiliates of the Lender. Each Loan Party acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to one or more Borrower or one or more of their Affiliates (in connection with this Agreement or otherwise) by the Lender or by one or more Subsidiaries or Affiliates of the Lender and each of the Loan Parties hereby authorizes the Lender to share any information delivered to the Lender by such Loan Party and its Subsidiaries pursuant to this Agreement to any such Subsidiary or Affiliate subject to the provisions of Section 10.9.1 [General].

10.10 Counterparts; Integration; Effectiveness.

10.10.1 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single

contract. This Agreement and the other Loan Documents, and any separate letter agreements with respect to fees payable to the Lender, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof including any prior confidentiality agreements and commitments. Except as provided in Section 7 [Conditions Of Lending And Issuance Of Letters Of Credit], this Agreement shall become effective when it shall have been executed by the Lender and when the Lender shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or e-mail shall be effective as delivery of a manually executed counterpart of this Agreement.

10.11 CHOICE OF LAW; SUBMISSION TO JURISDICTION; WAIVER OF VENUE; SERVICE OF PROCESS; WAIVER OF JURY TRIAL.

10.11.1 Governing Law. This Agreement shall be deemed to be a contract under the Laws of the State of New Jersey without regard to its conflict of laws principles. Each standby Letter of Credit issued under this Agreement shall be subject either to the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce (the "**ICC**") at the time of issuance ("**UCP**") or the rules of the International Standby Practices (ICC Publication Number 590) ("**ISP98**"), as determined by the Lender, and each trade Letter of Credit shall be subject to UCP, and in each case to the extent not inconsistent therewith, the Laws of the State of New Jersey without regard to is conflict of laws principles.

10.11.2 SUBMISSION TO JURISDICTION. EACH BORROWER AND EACH OTHER LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT OF THE STATE OF NEW JERSEY, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW JERSEY STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY BORROWER OR ANY OTHER LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

10.11.3 WAIVER OF VENUE. EACH BORROWER AND EACH OTHER LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST

EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN THIS SECTION 10.11. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT AND AGREES NOT ASSERT ANY SUCH DEFENSE.

10.11.4 SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.5 [NOTICES; EFFECTIVENESS; ELECTRONIC COMMUNICATION]. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

10.11.5 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, LENDER OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

10.12 USA Patriot Act Notice. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each Loan Party or Subsidiary of a Loan Party that opens an account. What this means: when a Loan Party or Subsidiary of a Loan Party opens an account, the Lender will ask for the business name, business address, taxpayer identifying number and other information that will allow the Lender to identify the Loan Party or Subsidiary of a Loan Party, such as organizational documents. For some businesses and organizations, the Lender may also need to ask for identifying information and documentation relating to certain individuals associated with the business or organization.

10.13 Anti-Money Laundering/International Trade Law Compliance. Each Borrower represents and warrants to the Lender, as of the date of this Agreement, as of the date of each advance of proceeds under the Revolving Credit Facility, as of the date of any renewal, extension or modification of this Agreement, and at all times that any obligations exist hereunder that: (A) no Loan Party or Subsidiary thereof (i) is listed or otherwise recognized as a specially

designated, prohibited, sanctioned or debarred person or entity, or subject to any limitations or prohibitions (including but not limited to the blocking of property or rejections of transactions) under any order or directive of any Compliance Authority; (ii) has any of its assets in a Sanctioned Country in violation of any law or regulation enforced by any Compliance Authority or in the possession, custody or control of a Sanctioned Person; or (iii) does business in or with, or derives any of its operating income from investments in or transactions with, any Sanctioned Person or Sanctioned Country in violation of any law or regulation enforced by any Compliance Authority; (B) the proceeds of the Revolving Credit Facility will not be used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or, in violation of any law or regulation enforced by any Compliance Authority, a Sanctioned Country; and (C) each Loan Party and Subsidiary of a Loan Party is in compliance with, and no Loan Party or Subsidiary of a Loan Party engages in any dealings or transactions prohibited by, any laws of the United States including the USA Patriot Act, the Trading with the Enemy Act, or the U.S. Foreign Corrupt Practices Act of 1977, all as amended, supplemented or replaced from time to time. As used herein: “Compliance Authority” means each and all of the (a) U.S. Department of the Treasury’s Office of Foreign Asset Control; (b) U.S. Treasury Department/Financial Crimes Enforcement Network; (c) U.S. State Department/Directorate of Defense Trade Controls; (d) U.S. Commerce Department/Bureau of Industry and Security; (e) U.S. Internal Revenue Service; (f) U.S. Justice Department; and (g) U.S. Securities and Exchange Commission; “Sanctioned Country” means a country subject to a sanctions program maintained by any Compliance Authority; and “Sanctioned Person” means any individual person, a group, regime, entity or thing subject to, or specially designated under, any sanctions program maintained by any Compliance Authority.

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Agreement as of the day and year first above written.

BORROWER:

EPAM SYSTEMS, INC.

By: ____________________________

Name: __________________________

Title: ___________________________

GUARANTORS:

EPAM SYSTEMS, LLC

By: ____________________________

Name: ____________________________

Title: ____________________________

VESTED DEVELOPMENT, INC.

By: ____________________________

Name: ____________________________

Title: ____________________________

LENDER:

PNC BANK, NATIONAL ASSOCIATION

By: ____________________

Name: ____________________

Title: ____________________

SCHEDULE 1.1(A)

COMMITMENT OF LENDER AND ADDRESSES FOR NOTICES

Part 1 - Commitment of Lender and Address for Notice to Lender

Lender	Commitment
PNC Bank, National Association Two Tower Center Boulevard East Brunswick, NJ 08816 Attention: Virginia Alling, Managing Director Telephone: (732) 220-3875 Telecopy: (732) 220-3621	$40,000,000

SCHEDULE 1.1(A)

COMMITMENTS OF LENDER AND ADDRESSES FOR NOTICES

Part 2 - Addresses for Notices to Borrowers and Guarantors:

BORROWERS:

Name: EPAM Systems Inc.
Address: 41 University Drive
#202 Newtown, PA 18940
Attention: General Counsel
Telephone: (267) 759-9000 ext. 56612
Telecopy: (267) 759-8989

GUARANTORS:

Name: c/o EPAM Systems Inc.
Address: 41 University Drive
#202 Newtown, PA 18940
Attention: General Counsel
Telephone: (267) 759-9000 ext. 56612
Telecopy: (267) 759-8989

SCHEDULE 1.1(P)

EXISTING LIENS

None

SCHEDULE 6.1.2

SUBSIDIARIES

EPAM Systems APS (Denmark)
EPAM Corp Inform Systems (Belarus)
EOAM Systems (Belarus)
EPAM Systems (Poland) sp. z o.o.
EPAM Systems (Ukraine)
EPAM Solutions (Russia)
EPAM Solutions LLC (Ukraine)
EPAM Systems (Russia)
EPAM Systems SARL (Luxembourg)
EPAM Kazakhstan
DANIKA Ltd. (Cyprus)
EPAM Systems (Cyprus) Ltd. (Cyprus)
EPAM Systems GmbH (Germany)
EPAM Systems Ltd. (UK)
EPAM Systems Nordic AB (Sweden)
EPAM Systems GmbH (Switzerland)
TOO Plus Micro (Kazakhstan)
EPAM Systems (Singapore)
EPAM Systems Canada Ltd. (Canada)
EPAM Systems, LLC (NJ)
Vested Development, Inc. (DE)
EPAM Systems KFT (Hungary)
EPAM Systems SRL (Moldova)

SCHEDULE 6.1.14

Environmental Disclosures

None

SCHEDULE 8.2.1

Permitted Indebtedness

None

EXHIBIT 1.1(G)(1)

FORM OF
GUARANTOR JOINDER AND ASSUMPTION AGREEMENT

THIS GUARANTOR JOINDER AND ASSUMPTION AGREEMENT is made as of , 20 , by , a [corporation/partnership/limited liability company] (the "**New Guarantor**").

Background

Reference is made to (i) the Credit Agreement dated as of January 15, 2013 (as the same may be modified, supplemented, restated or amended, the "**Credit Agreement**") by and among EPAM Systems, Inc., a Delaware corporation (the "**Borrower**"), PNC Bank, National Association ("**Lender**") and the guarantors party thereto (the "**Guarantors**"), (ii) the Guaranty and Suretyship Agreement dated as of January 15, 2013 (as the same may be modified, supplemented, restated or amended, the "**Guaranty**") of Guarantors issued to the Lender and (iii) the other Loan Documents referred to in the Credit Agreement, as the same may be modified, supplemented, or amended.

Agreement

Capitalized terms defined in the Credit Agreement are used herein as defined therein. In consideration of the New Guarantor becoming a Guarantor under the terms of the Credit Agreement and in consideration of the value of the direct and indirect benefits received by New Guarantor as a result of becoming affiliated with the Borrower and the Guarantors, the New Guarantor hereby agrees that effective as of the date hereof it hereby is, and shall be deemed to be, a Guarantor under the Credit Agreement, the Guaranty and each of the other Loan Documents to which the Guarantors are a party and agrees that from the date hereof and so long as any Loan or any Commitment of the Lender shall remain outstanding and until Payment In Full, New Guarantor has assumed the joint and several obligations of a "Guarantor" under, and New Guarantor shall perform, comply with and be subject to and bound by, jointly and severally, each of the terms, provisions and waivers of the Credit Agreement, the Guaranty and each of the other Loan Documents which are stated to apply to or are made by a "Guarantor". Without limiting the generality of the foregoing, the New Guarantor hereby represents and warrants that (i) each of the representations and warranties set forth in Article 6 of the Credit Agreement applicable to New Guarantor as a Guarantor is true and correct as to New Guarantor on and as of the date hereof, and (ii) New Guarantor has heretofore received a true and correct copy of the Credit Agreement, the Guaranty, and each of the other Loan Documents (including any modifications thereof or supplements or waivers thereto) in effect on the date hereof.

New Guarantor hereby makes, affirms, and ratifies in favor of the Lender the Credit Agreement, the Guaranty and each of the other Loan Documents given by the Guarantors to the Lender.

New Guarantor is simultaneously delivering to the Lender the following documents together with the Guarantor Joinder required under Section 8.2.9 [Subsidiaries, Partnerships and Joint Ventures]:

Updated Schedules to Credit Agreement. [Note: updates to schedules do not cure any breach of warranties].

Schedule No. and Description	Delivered	Not Delivered
Schedule 6.1.1 - Qualifications To Do Business	☐	☐
Schedule 6.1.2 - Subsidiaries	☐	☐
Any other Schedules to Credit Agreement that necessitate updates after giving effect to this Guarantor Joinder and Assumption Agreement	☐	☐

In furtherance of the foregoing, New Guarantor shall execute and deliver or cause to be executed and delivered at any time and from time to time such further instruments and documents and do or cause to be done such further acts as may be reasonably necessary in the reasonable opinion of the Lender to carry out more effectively the provisions and purposes of this Guarantor Joinder and Assumption Agreement.

This Guarantor Joinder and Assumption Agreement may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same instrument. New Guarantor acknowledges and agrees that a telecopy transmission to the Lender of signature pages hereof purporting to be signed on behalf of New Guarantor shall constitute effective and binding execution and delivery hereof by New Guarantor.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the New Guarantor has duly executed this Guarantor Joinder and Assumption Agreement and delivered the same to the Lender, as of the date and year first above written.

____

By: __________________________
Name: ________________________
Title: _________________________

Acknowledged and accepted:

PNC BANK, NATIONAL ASSOCIATION,
as Lender

By: __________________________
Name: ________________________
Title: _________________________

EXHIBIT 1.1(G)(2)
FORM OF GUARANTY

Guaranty and Suretyship Agreement

THIS GUARANTY AND SURETYSHIP AGREEMENT (this **"Guaranty"**) is made and entered into as of this 15th day of January, 2013, by **EPAM SYSTEMS, LLC**, a New Jersey limited liability company and **VESTED DEVELOPMENT, INC.**, a Delaware corporation (each, the "**Guarantor**" and, collectively, the "**Guarantors**"), with an address at 41 University Drive, Suite 202, Newton, PA 18940, in consideration of the extension of credit by **PNC BANK, NATIONAL ASSOCIATION** (the **"Bank"**), with an address at Two Tower Center Boulevard, East Brunswick, NJ 08816, to **EPAM SYSTEMS, INC.**, a Delaware corporation (the **"Borrower"**), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Terms capitalized herein but not defined herein shall have the meaning given to such terms in the Credit Agreement between EPAM Systems, Inc. and Bank dated as of the date hereof (as amended, restated or otherwise modified, the **"Credit Agreement"**).

1. Guaranty of Guarantied Obligations. The Guarantors hereby jointly, severally, irrevocably and unconditionally guarantee, and become surety for, the prompt payment and performance of all Obligations, covenants and duties owing by the Borrower to the Bank or to any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., of any kind or nature, present or future (including any interest accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect (including those acquired by assignment or participation), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, whether or not (i) evidenced by any note, guaranty or other instrument, (ii) arising under any agreement, instrument or document, (iii) for the payment of money, (iv) arising by reason of an extension of credit, opening of a letter of credit, loan, equipment lease or guarantee, (v) under any interest or currency swap, future, option or other interest rate protection or similar agreement, (vi) under or by reason of any foreign currency transaction, forward, option or other similar transaction providing for the purchase of one currency in exchange for the sale of another currency, or in any other manner, or (vii) arising out of overdrafts on deposit or other accounts or out of electronic funds transfers (whether by wire transfer or through automated clearing houses or otherwise) or out of the return unpaid of, or other failure of the Bank to receive final payment for, any check, item, instrument, payment order or other deposit or credit to a deposit or other account, or out of the Bank's non-receipt of or inability to collect funds or otherwise not being made whole in connection with depository or other similar arrangements; and any amendments, extensions, renewals and increases of or to any of the foregoing, and all costs and expenses of the Bank incurred in the documentation, negotiation, modification, enforcement, collection and otherwise in connection with any of the foregoing, including reasonable attorneys' fees and expenses (collectively, the **"Guarantied Obligations"**). If the Borrower defaults under any such Guarantied Obligations, the Guarantors will pay the amount due to the Bank.

2. Nature of Guaranty; Waivers. This is a guaranty of payment and not of collection and the Bank shall not be required or obligated, as a condition of the Guarantors' liability, to make any demand upon or to pursue any of its rights against the Borrower, or to pursue any rights which may be available to it with respect to any other person who may be liable for the payment of the Guarantied Obligations.

This is an absolute, unconditional, irrevocable and continuing guaranty and will remain in full force and effect until all of the Guarantied Obligations have been indefeasibly paid in full, and the Bank has terminated this Guaranty or it has terminated in accordance with its terms. This Guaranty will remain in full force and effect

even if there is no principal balance outstanding under the Guarantied Obligations at a particular time or from time to time. This Guaranty will not be affected by any surrender, exchange, acceptance, compromise or release by the Bank of any other party, or any other guaranty or any security held by it for any of the Guarantied Obligations, by any failure of the Bank to take any steps to perfect or maintain its lien or security interest in or to preserve its rights to any security or other collateral for any of the Guarantied Obligations or any guaranty, or by any irregularity, unenforceability or invalidity of any of the Guarantied Obligations or any part thereof or any security or other guaranty thereof. The Guarantors' obligations hereunder shall not be affected, modified or impaired by any counterclaim, set-off recoupment, deduction or defense based upon any claim the Guarantors may have (directly or indirectly) against the Borrower or the Bank, except payment or performance of the Guarantied Obligations.

Notice of acceptance of this Guaranty, notice of extensions of credit to the Borrower from time to time, notice of default, diligence, presentment, notice of dishonor, protest, demand for payment, and any defense based upon the Bank's failure to comply with the notice requirements under Sections 9-611 and 9-612 of the Uniform Commercial Code as in effect from time to time are hereby waived. The Guarantors waive all defenses based on suretyship or impairment of collateral.

The Bank at any time and from time to time, without notice to or the consent of the Guarantors, and without impairing or releasing, discharging or modifying the Guarantors' liabilities hereunder, may (a) change the manner, place, time or terms of payment or performance of or interest rates on, or other terms relating to, any of the Guarantied Obligations; (b) renew, substitute, modify, amend or alter, or grant consents or waivers relating to any of the Guarantied Obligations, any other guaranties, or any security for any Guarantied Obligations or guaranties; (c) apply any and all payments by whomever paid or however realized including any proceeds of any collateral, to any Guarantied Obligations of the Borrower in such order, manner and amount as the Bank may determine in its sole discretion; (d) settle, compromise or deal with any other person, including the Borrower or the Guarantors, with respect to any Guarantied Obligations in such manner as the Bank deems appropriate in its sole discretion; (e) substitute, exchange or release any security or guaranty; or (f) take such actions and exercise such remedies hereunder as provided herein.

3. Repayments or Recovery from the Bank. If any demand is made at any time upon the Bank for the repayment or recovery of any amount received by it in payment or on account of any of the Guarantied Obligations and if the Bank repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Guarantors will be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never been received originally by the Bank. The provisions of this section will be and remain effective notwithstanding any contrary action which may have been taken by the Guarantors in reliance upon such payment, and any such contrary action so taken will be without prejudice to the Bank's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable.

4. Financial Statements. If requested in writing by the Bank prior to the payment in full of all of the Guarantied Obligations, and without duplication of any financial information delivered under the Credit Agreement, the Guarantors will promptly submit to the Bank such information relating to the Guarantors' affairs (including but not limited to annual financial statements and tax returns for the Guarantors) or any security for the Guaranty as the Bank may reasonably request.

5. Enforceability of Guarantied Obligations. No modification, limitation or discharge of the Guarantied Obligations arising out of or by virtue of any bankruptcy, reorganization or similar proceeding for relief of debtors under federal or state law will affect, modify, limit or discharge the Guarantors' liability in any manner whatsoever and this Guaranty will remain and continue in full force and effect and will be enforceable against the Guarantors to the same extent and with the same force and effect as if any such proceeding had not been instituted. The Guarantors waive all rights and benefits which might accrue to it by reason of any such proceeding and will be liable to the full extent hereunder, irrespective of any modification, limitation or discharge of the liability of the Borrower that may result from any such proceeding.

The Guarantors expressly waive the effect of any statute of limitations or other limitations on any actions under this Guaranty.

6. Events of Default. The happening of any Event of Default (or if there is no defined set of "Events of Default" therein, the occurrence of a default past any applicable grace and/or cure periods thereunder) as defined in any of the Secured Obligations shall be an **"Event of Default"** hereunder. Upon the occurrence of any Event of Default, (a) the Guarantors shall pay to the Bank the amount of the Guarantied Obligations; or (b) on demand of the Bank, the Guarantors shall immediately deposit with the Bank, in U.S. dollars, all amounts due or to become due under the Guarantied Obligations, and the Bank may at any time use such funds to repay the Guarantied Obligations; or (c) the Bank in its discretion may exercise with respect to any collateral any one or more of the rights and remedies provided a secured party under the applicable version of the Uniform Commercial Code; or (d) the Bank in its discretion may exercise from time to time any other rights and remedies available to it at law, in equity or otherwise.

7. Right of Setoff. In addition to all liens upon and rights of setoff against the Guarantors' money, securities or other property given to the Bank by law, the Bank shall have, with respect to the Guarantors' obligations to the Bank under this Guaranty and to the extent permitted by law, a contractual possessory security interest in and a contractual right of setoff against, and the Guarantors hereby grant Bank a security interest in, and hereby assign, convey, deliver, pledge and transfer to the Bank all of the Guarantors' right, title and interest in and to, all of the Guarantors' deposits, moneys, securities and other property now or hereafter in the possession of or on deposit with, or in transit to, the Bank or any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., whether held in a general or special account or deposit, whether held jointly with someone else, or whether held for safekeeping or otherwise, excluding, however, all IRA, Keogh, and trust accounts. Every such security interest and right of setoff may be exercised without demand upon or notice to the Guarantors. Every such right of setoff shall be deemed to have been exercised immediately upon the occurrence of an Event of Default hereunder without any action of the Bank, although the Bank may enter such setoff on its books and records at a later time.

8. Collateral. This Guaranty is secured by the property described in any collateral security documents which the Guarantors execute and deliver to the Bank and by such other collateral as previously may have been or may in the future be granted to the Bank to secure any Guarantied Obligations of the Guarantors to the Bank.

9. Costs. To the extent that the Bank incurs any costs or expenses in protecting or enforcing its rights under the Guarantied Obligations or this Guaranty, including reasonable attorneys' fees and the costs and expenses of litigation, such costs and expenses will be due on demand, will be included in the Guarantied Obligations and will bear interest from the incurring or payment thereof at the Default Rate (as defined in any of the Guarantied Obligations).

10. Postponement of Subrogation. Until the Guarantied Obligations are indefeasibly paid in full, expire, are terminated and are not subject to any right of revocation or rescission, the Guarantors postpone and subordinate in favor of the Bank or its designee (and any assignee or potential assignee) any and all rights which the Guarantors may have to (a) assert any claim whatsoever against the Borrower based on subrogation, exoneration, reimbursement, or indemnity or any right of recourse to security for the Guarantied Obligations with respect to payments made hereunder, and (b) any realization on any property of the Borrower, including participation in any marshalling of the Borrower's assets.

11. Notices. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder (**"Notices"**) must be in writing and will be effective upon receipt. Notices may be given

in any manner to which the Bank and the Guarantors may separately agree, including electronic mail. Without limiting the foregoing, first-class mail, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. Regardless of the manner in which provided, Notices may be sent to addresses for the Bank and the Guarantors as set forth above or to such other address as either may give to the other for such purpose in accordance with this section.

12. Preservation of Rights. No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. The Bank's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity. The Bank may proceed in any order against the Borrower, the Guarantors or any other obligor of, or any collateral securing, the Guarantied Obligations.

13. Illegality. If any provision contained in this Guaranty should be invalid, illegal or unenforceable in any respect, it shall not affect or impair the validity, legality and enforceability of the remaining provisions of this Guaranty.

14. Changes in Writing. No modification, amendment or waiver of, or consent to any departure by the Guarantors from, any provision of this Guaranty will be effective unless made in a writing signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Notwithstanding the foregoing, the Bank may modify this Guaranty for the purposes of completing missing content or correcting erroneous content, without the need for a written amendment, provided that the Bank shall send a copy of any such modification to the Guarantors (which notice may be given by electronic mail). No notice to or demand on the Guarantors will entitle the Guarantors to any other or further notice or demand in the same, similar or other circumstance.

15. Entire Agreement. This Guaranty (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Guarantors and the Bank with respect to the subject matter hereof; provided, however, that this Guaranty is in addition to, and not in substitution for, any other guarantees from the Guarantors to the Bank.

16. Successors and Assigns. This Guaranty will be binding upon and inure to the benefit of the Guarantors and the Bank and their respective heirs, executors, administrators, successors and assigns; provided, however, that the Guarantors may not assign this Guaranty in whole or in part without the Bank's prior written consent and the Bank at any time may assign this Guaranty in whole or in part.

17. Interpretation. In this Guaranty, unless the Bank and the Guarantors otherwise agree in writing, the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and references to sections or exhibits are to those of this Guaranty. Section headings in this Guaranty are included for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose. If this Guaranty is executed by more than one party as Guarantors, the obligations of such persons or entities will be joint and several.

18. Anti-Money Laundering/International Trade Law Compliance. The Guarantors represent and warrant to the Bank, as of the date of this Guaranty, as of the date of each disbursement of loan proceeds, as of the date of any renewal, extension or modification of any loan, and at all times any Guarantied Obligations exist that: (A) no Guarantors (i) is listed or otherwise recognized as a specially designated, prohibited, sanctioned or debarred person or entity, or subject to any limitations or prohibitions (including but not limited to the blocking of property or rejections of transactions) under any order or directive of any Compliance Authority; (ii) has any of its assets in a Sanctioned Country or in the possession, custody or control of a Sanctioned Person; or (iii) does

business in or with, or derives any of its operating income from investments in or transactions with, any Sanctioned Person or Sanctioned Country in violation of any law or regulation enforced by any Compliance Authority; (B) the proceeds of any loan will not be used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Country; and (C) each Guarantor is in compliance with, and no Guarantor engages in any dealings or transactions prohibited by, any laws of the United States including the USA Patriot Act, the Trading with the Enemy Act, or the U.S. Foreign Corrupt Practices Act of 1977, all as amended, supplemented or replaced from time to time. As used herein: "**Compliance Authority**" means each and all of the (a) U.S. Department of the Treasury's Office of Foreign Asset Control; (b) U.S. Treasury Department/Financial Crimes Enforcement Network; (c) U.S. State Department/Directorate of Defense Trade Controls; (d) U.S. Commerce Department/Bureau of Industry and Security; (e) U.S. Internal Revenue Service; (f) U.S. Justice Department; and (g) U.S. Securities and Exchange Commission. "**Sanctioned Country**" means a country subject to a sanctions program maintained by any Compliance Authority. "**Sanctioned Person**" means any individual person, a group, regime, entity or thing subject to, or specially designated under, any sanctions program maintained by any Compliance Authority.

19. Indemnity. The Guarantors agree to indemnify each of the Bank, each legal entity, if any, who controls, is controlled by or is under common control with the Bank and each of their respective directors, officers and employees (the **"Indemnified Parties"**), and to defend and hold each Indemnified Party harmless from and against, any and all claims, damages, losses, liabilities and expenses (including all fees and charges of internal or external counsel with whom any Indemnified Party may consult and all expenses of litigation and preparation therefor) which any Indemnified Party may incur or which may be asserted against any Indemnified Party by any person, entity or governmental authority (including any person or entity claiming derivatively on behalf of the Guarantors), in connection with or arising out of or relating to the matters referred to in this Guaranty, whether (a) arising from or incurred in connection with any breach of a representation, warranty or covenant by the Guarantors, or (b) arising out of or resulting from any suit, action, claim, proceeding or governmental investigation, pending or threatened, whether based on statute, regulation or order, or tort, or contract or otherwise, before any court or governmental authority; provided, however, that the foregoing indemnity agreement shall not apply to any claims, damages, losses, liabilities and expenses solely attributable to an Indemnified Party's gross negligence or willful misconduct. The indemnity agreement contained in this Section shall survive the termination of this Guaranty and assignment of any rights hereunder. The Guarantors may participate at its expense in the defense of any such claim.

20. Governing Law and Jurisdiction. This Guaranty has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated above is located. **THIS GUARANTY WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE BANK AND THE GUARANTORS DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE BANK'S OFFICE INDICATED ABOVE IS LOCATED, EXCLUDING ITS CONFLICT OF LAWS RULES.** The Guarantors hereby irrevocably consent to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank's office indicated above is located; provided that nothing contained in this Guaranty will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Guarantors individually, against any security or against any property of the Guarantors within any other county, state or other foreign or domestic jurisdiction. The Guarantors acknowledge and agree that the venue provided above is the most convenient forum for both the Bank and the Guarantors. The Guarantors waive any objection to venue and any objection based on a more convenient forum in any action instituted under this Guaranty.

21. Equal Credit Opportunity Act. If the Guarantors are not an "applicants for credit" under Section 202.2 (e) of the Equal Credit Opportunity Act of 1974 ("ECOA"), the Guarantors acknowledge that (i) this Guaranty has been executed to provide credit support for the Guarantied Obligations, and (ii) the Guarantors were not required to execute this Guaranty in violation of Section 202.7(d) of the ECOA.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

23. WAIVER OF JURY TRIAL. THE GUARANTORS IRREVOCABLY WAIVE ANY AND ALL RIGHT THE GUARANTORS MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS GUARANTY, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS GUARANTY OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE GUARANTORS ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

The Guarantors acknowledge that each of them has read and understood all the provisions of this Guaranty, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

ATTEST:		**EPAM SYSTEMS, LLC**, a New Jersey limited liability company	
		By:	(SEAL)
Print Name:		Print Name:	
Title:		Title:	
ATTEST:		**VESTED DEVELOPMENT, INC.**, a Delaware corporation	
		By:	(SEAL)
Print Name:		Print Name:	
Title:		Title:	

EXHIBIT 1.1(N)(1)

FORM OF
REVOLVING CREDIT NOTE

$40,000,000.00 January 15, 2013

FOR VALUE RECEIVED, the undersigned, EPAM Systems, Inc., a Delaware corporation (the "**Borrower**"), hereby unconditionally promise to pay to the order of PNC Bank, National Association (the "**Lender**"), the lesser of (i) the principal sum of Forty Million Dollars and 00/100 (US$ 40,000,000.00), or (ii) the aggregate unpaid principal balance of all Revolving Credit Loans made by the Lender to the Borrowers pursuant to Section 2.5 [Repayment of Revolving Credit Loans] of the Credit Agreement, dated as of January 15, 2013, among the Borrower, the Guarantors now or hereafter party thereto and the Lender (as amended, restated, modified, or supplemented from time to time, the "**Credit Agreement**"), together with all outstanding interest thereon on the Expiration Date.

The Borrower shall pay interest on the unpaid principal balance hereof from time to time outstanding from the date hereof at the rate or rates per annum specified by the Borrower pursuant to, or as otherwise provided in, the Credit Agreement. Subject to the provisions of the Credit Agreement, interest on this Revolving Credit Note will be payable pursuant to Section 5.2 [Interest Payment Dates] of, or as otherwise provided in, the Credit Agreement. If any payment or action to be made or taken hereunder shall be stated to be or become due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, unless otherwise provided in the Credit Agreement, and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action. Upon the occurrence and during the continuation of an Event of Default and at the Lender's discretion, the Borrower shall pay interest on the entire principal amount of the then outstanding Revolving Credit Loans evidenced by this Revolving Credit Note and all other obligations due and payable to the Lender pursuant to the Credit Agreement and the other Loan Documents at a rate per annum as set forth in Section 4.3 [Interest After Default] of the Credit Agreement. Such interest rate will accrue before and after any judgment has been entered.

Subject to the provisions of the Credit Agreement, payments of both principal and interest shall be made without setoff, counterclaim or other deduction of any nature at the office of the Lender located at 500 First Avenue, Pittsburgh, Pennsylvania 15219 unless otherwise directed in writing by the Lender, in lawful money of the United States of America in immediately available funds.

This Revolving Credit Note is one of the Notes referred to in, and is entitled to the benefits of, the Credit Agreement and the other Loan Documents, including the representations, warranties, covenants, conditions, security interests, if any, and Liens, if any, contained or granted therein. The Credit Agreement among other things contains provisions for acceleration

of the maturity hereof upon the happening of certain stated events and also for prepayments, in certain circumstances, on account of principal hereof prior to maturity upon the terms and conditions therein specified. The Borrower waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Revolving Credit Note and the Credit Agreement.

This Revolving Credit Note shall bind the Borrower and its successors and assigns, and the benefits hereof shall inure to the benefit of the Lender and its successors and assigns. All references herein to the "Borrower" and the "Lender" shall be deemed to apply to the Borrower and the Lender, respectively, and their respective successors and assigns as permitted under the Credit Agreement.

This Revolving Credit Note and any other documents delivered in connection herewith and the rights and obligations of the parties hereto and thereto shall for all purposes be governed, by and construed and enforced in accordance with, the internal laws of the State of New Jersey without giving effect to its conflicts of law principles.

All capitalized terms used herein shall, unless otherwise defined herein, have the same meanings given to such terms in the Credit Agreement and Section 1.2 [Construction] of the Credit Agreement shall apply to this Revolving Credit Note.

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE TO REVOLVING CREDIT NOTE]

IN WITNESS WHEREOF, and intending to be legally bound hereby, the undersigned has executed this Revolving Credit Note by its duly authorized officer.

EPAM SYSTEMS, INC.

By: ________________________

Name: ________________________

Title: ________________________

EXHIBIT 2.4

FORM OF
LOAN REQUEST

TO: PNC Bank, National Association
Two Tower Center Blvd., 17th Floor
East Brunswick, NJ 08816
Attention: Virginia Alling, VP

FROM: EPAM Systems, Inc., a Delaware corporation (as a “**Borrower**”).

RE: Credit Agreement (as it may be amended, restated, modified or supplemented, the “**Credit Agreement**”), dated as of January 15, 2013, by and among the Borrower, the Guarantors party thereto, and PNC Bank, National Association, as lender (the “**Lender**”).

Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them by the Credit Agreement.

A. Pursuant to Section 2.4 [Revolving Credit Loan Requests] of the Credit Agreement, the undersigned Borrower requests *[check one line under 1.(a) below and fill in blank space next to the line as appropriate]:*

1(a) __________ A new Loan [for [specify permitted recipient]] , OR

__________ Renewal of the LIBOR Rate Option applicable to an outstanding Revolving Credit Loan originally made on , 20 , OR

__________ Conversion of the Base Rate Option applicable to an outstanding Loan originally made on , 20 to a Loan to which the LIBOR Rate Option applies, OR

__________ Conversion of the LIBOR Rate Option applicable to an outstanding Loan originally made on , 20 to a Loan to which the Base Rate Option applies.

SUCH NEW, RENEWED OR CONVERTED LOAN SHALL BEAR INTEREST:

[Check one line under 1.(b) below and fill in blank spaces in line next to line]:

1(b)(i) __________ Under the Base Rate Option. Such Loan shall have a Borrowing Date of , 20 (which date shall be (i) the same Business Day of receipt by the Lender by 11:00 a.m. eastern time of this Loan Request for making a new Loan to which the Base Rate Option applies, or (ii) the last day of the preceding Interest Period if a Loan to which the LIBOR Rate Option applies is being converted to a Loan to which the Base Rate Option applies).

OR

(ii) ________ Under the LIBOR Rate Option. Such Loan shall have a Borrowing Date of , 20 (which date shall be three (3) Business Days, in the case of Loans to which the LIBOR Rate Option applies, subsequent to the Business Day of receipt by the Lender by 11:00 a.m. eastern time of this Loan Request for making a new Loan to which the LIBOR Rate Option applies, renewing a Loan to which the LIBOR Rate Option applies, or converting a Loan to which the Base Rate Option applies to a Loan to which the LIBOR Rate Option applies).

2 Such Loan is in the principal amount of U.S. $ [or the principal amount to be renewed or converted is U.S. $]

3 *[Complete blank below if the Borrower is selecting the LIBOR Rate Option]:*

Such Loan shall have an Interest Period of one, two, three or six Month(s):

____

B As of the date hereof and the date of making the above-requested Loan (and after giving effect thereto: (i) all of the representations and warranties contained in Article 6 of the Credit Agreement and in the other Loan Documents are true and correct in all material respects (except for those representations and warranties that are qualified by reference to materiality, which shall be true and correct in all respects); (ii) no Event of Default or Potential Default has occurred and is continuing; and (iii) the making of such Loan shall not contravene any Law applicable to the any Loan Party or any Subsidiary of any Loan Party or the Lender.

C Each of the undersigned hereby irrevocably requests *[check one line below and fill in blank spaces next to the line as appropriate]:*

1 ________ Funds to be deposited into a PNC Bank bank account per our current standing instructions. [Complete amount of deposit if not full Loan advance amount:]

U.S. $.

2 ________ Funds to be wired to per the following wire instructions:

Amount of Wire Transfer:

U.S. $
Bank Name:
ABA:
Account Number:
Account Name:
Reference:

3 ______ Funds to be wired per the attached Funds Flow (multiple wire transfers).

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE 1 OF 1 TO LOAN REQUEST]

The Borrower certify to the Lender as to the accuracy of the foregoing on , 20 .

BORROWER:

EPAM SYSTEMS, INC.

By: ________________________________
Name: ________________________________
Title: ________________________________

EXHIBIT 8.3.3

QUARTERLY COMPLIANCE CERTIFICATE

This certificate is delivered pursuant to Section 8.3.3 of that certain Credit Agreement dated as of January 15, 2013 (the "**Credit Agreement**") by and among EPAM Systems, Inc., a Delaware corporation (the "**Borrower**"), the Guarantors party thereto (the "**Guarantors**") and PNC Bank, National Association, as Lender (the "**Lender**"). Unless otherwise defined herein, terms defined in the Credit Agreement are used herein with the same meanings.

The undersigned officer, , the **[**President/Chief Executive Officer/Chief Financial Officer/Treasurer/Assistant Treasurer/Controller**]** of the Borrower, in such capacity, does hereby certify on behalf of the Borrower as of the quarter/year ended , 20 (the "**Report Date**"), as follows:

(1) Maximum Debt Ratio (Credit Agreement Section 8.2.13). As of the Report Date, the Funded Debt to Consolidated EBITDA ratio of the Loan Parties is (insert ratio from Item (1)(C) below), which ratio shall not exceed 2.0 to 1.0.

The Funded Debt to Consolidated EBITDA ratio shall be computed as follows:

(A) Funded Debt of the Borrower and its Subsidiaries, as of the Report Date, calculated as follows:

(i) Indebtedness of the Borrower and its Subsidiaries (on a consolidated basis) for the following (without duplication):

a. Indebtedness for borrowed money	$
b. capitalized lease obligations	$
c. reimbursement obligations in respect of letters of credit (that are not fully collateralized by cash or cash equivalents, which is held by PNC)	$
d. guaranties of Indebtedness of the type referenced in Items (1)(A)(i)(a) through (1)(A)(i)(c)	$
(ii) Funded Debt equals the sum of Items (1)(A)(i)(a) through (1)(A)(i)(d)	$

(B) Consolidated EBITDA of the Loan Parties, as of the Report Date for the four fiscal quarters then ended, calculated and consolidated in accordance with GAAP as follows

(i) net income $

(ii) to the extent deducted in determining net income:

a. depreciation expense $

b. amortization expense $

c. interest expense $

d. income tax expense $

e. non-cash stock compensation expense $

f. the sum of Items (1)(B)(ii)(a) through (1)(B)(ii)(e) $

(iii) Consolidated EBITDA equals the sum of Items (1)(B)(i) plus (1)(B)(ii)(f) $

(C) Item (1)(A)(ii) divided by Item (1)(B)(iii) equals the Funded Debt to Consolidated EBITDA ratio calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, which ratio does not exceed 2.0 to 1.0 to 1.0

(2) Minimum Fixed Charge Coverage Ratio (Credit Agreement Section 8.2.14). As of the Report Date, the Fixed Charge Coverage Ratio of the Borrower and its Subsidiaries is (insert ratio from Item (2)(C) below), which ratio shall not be less than 1.25 to 1.0.

The Interest Coverage Ratio shall be computed as follows:

(A) Consolidated EBITDA (insert number from Item (1)(B)(iii) above) $

(B) the sum of scheduled payments of principal on all Indebtedness for borrowed money having an original term of more than one (1) year (including but not limited to amortization of Capital Lease obligations) as shown in the financial statements of the Parent Company and its Subsidiaries as of one (1) year prior to the Report Date $

(C) Item (2)(A) divided by Item (2)(B) equals the Fixed Charge Coverage Ratio for the four fiscal quarters then ended, which ratio is not less than 1.25 to 1.0 to 1.0

(3) Representations and Warranties. The representations and warranties contained in Article 6 of the Credit Agreement and in the other Loan Documents are true and correct in all material respects (except for those representations and warranties that are qualified by reference to materiality, which shall be true and correct in all respects) on and as of the date of this certificate.

(4) Event of Default or Potential Default. No Event of Default or Potential Default exists as of the date hereof.

[SIGNATURE PAGE FOLLOWS]

SIGNATURE PAGE 1 OF 1 TO
QUARTERLY COMPLIANCE CERTIFICATE

IN WITNESS WHEREOF, the undersigned has executed this Certificate this ____ day of ________, 20__.

EPAM SYSTEMS, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

Guaranty and Suretyship Agreement

THIS GUARANTY AND SURETYSHIP AGREEMENT (this **"Guaranty"**) is made and entered into as of this 15th day of January, 2013, by **EPAM SYSTEMS, LLC**, a New Jersey limited liability company and **VESTED DEVELOPMENT, INC.**, a Delaware corporation (each, the "**Guarantor**" and, collectively, the "**Guarantors**"), with an address at 41 University Drive, Suite 202, Newton, PA 18940, in consideration of the extension of credit by **PNC BANK, NATIONAL ASSOCIATION** (the **"Bank"**), with an address at Two Tower Center Boulevard, East Brunswick, NJ 08816, to **EPAM SYSTEMS, INC.**, a Delaware corporation (the **"Borrower"**), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Terms capitalized herein but not defined herein shall have the meaning given to such terms in the Credit Agreement between EPAM Systems, Inc. and Bank dated as of the date hereof (as amended, restated or otherwise modified, the **"Credit Agreement"**).

1. Guaranty of Guarantied Obligations. The Guarantors hereby jointly, severally, irrevocably and unconditionally guarantee, and become surety for, the prompt payment and performance of all Obligations, covenants and duties owing by the Borrower to the Bank or to any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., of any kind or nature, present or future (including any interest accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect (including those acquired by assignment or participation), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, whether or not (i) evidenced by any note, guaranty or other instrument, (ii) arising under any agreement, instrument or document, (iii) for the payment of money, (iv) arising by reason of an extension of credit, opening of a letter of credit, loan, equipment lease or guarantee, (v) under any interest or currency swap, future, option or other interest rate protection or similar agreement, (vi) under or by reason of any foreign currency transaction, forward, option or other similar transaction providing for the purchase of one currency in exchange for the sale of another currency, or in any other manner, or (vii) arising out of overdrafts on deposit or other accounts or out of electronic funds transfers (whether by wire transfer or through automated clearing houses or otherwise) or out of the return unpaid of, or other failure of the Bank to receive final payment for, any check, item, instrument, payment order or other deposit or credit to a deposit or other account, or out of the Bank's non-receipt of or inability to collect funds or otherwise not being made whole in connection with depository or other similar arrangements; and any amendments, extensions, renewals and increases of or to any of the foregoing, and all costs and expenses of the Bank incurred in the documentation, negotiation, modification, enforcement, collection and otherwise in connection with any of the foregoing, including reasonable attorneys' fees and expenses (collectively, the **"Guarantied Obligations"**). If the Borrower defaults under any such Guarantied Obligations, the Guarantors will pay the amount due to the Bank.

2. Nature of Guaranty; Waivers. This is a guaranty of payment and not of collection and the Bank shall not be required or obligated, as a condition of the Guarantors' liability, to make any demand upon or to pursue any of its rights against the Borrower, or to pursue any rights which may be available to it with respect to any other person who may be liable for the payment of the Guarantied Obligations.

This is an absolute, unconditional, irrevocable and continuing guaranty and will remain in full force and effect until all of the Guarantied Obligations have been indefeasibly paid in full, and the Bank has terminated this Guaranty or it has terminated in accordance with its terms. This Guaranty will remain in full force and effect even if there is no principal balance outstanding under the Guarantied Obligations at a particular time or from time to time. This Guaranty will not be affected by any surrender, exchange, acceptance, compromise or release

by the Bank of any other party, or any other guaranty or any security held by it for any of the Guarantied Obligations, by any failure of the Bank to take any steps to perfect or maintain its lien or security interest in or to preserve its rights to any security or other collateral for any of the Guarantied Obligations or any guaranty, or by any irregularity, unenforceability or invalidity of any of the Guarantied Obligations or any part thereof or any security or other guaranty thereof. The Guarantors' obligations hereunder shall not be affected, modified or impaired by any counterclaim, set-off recoupment, deduction or defense based upon any claim the Guarantors may have (directly or indirectly) against the Borrower or the Bank, except payment or performance of the Guarantied Obligations.

Notice of acceptance of this Guaranty, notice of extensions of credit to the Borrower from time to time, notice of default, diligence, presentment, notice of dishonor, protest, demand for payment, and any defense based upon the Bank's failure to comply with the notice requirements under Sections 9-611 and 9-612 of the Uniform Commercial Code as in effect from time to time are hereby waived. The Guarantors waive all defenses based on suretyship or impairment of collateral.

The Bank at any time and from time to time, without notice to or the consent of the Guarantors, and without impairing or releasing, discharging or modifying the Guarantors' liabilities hereunder, may (a) change the manner, place, time or terms of payment or performance of or interest rates on, or other terms relating to, any of the Guarantied Obligations; (b) renew, substitute, modify, amend or alter, or grant consents or waivers relating to any of the Guarantied Obligations, any other guaranties, or any security for any Guarantied Obligations or guaranties; (c) apply any and all payments by whomever paid or however realized including any proceeds of any collateral, to any Guarantied Obligations of the Borrower in such order, manner and amount as the Bank may determine in its sole discretion; (d) settle, compromise or deal with any other person, including the Borrower or the Guarantors, with respect to any Guarantied Obligations in such manner as the Bank deems appropriate in its sole discretion; (e) substitute, exchange or release any security or guaranty; or (f) take such actions and exercise such remedies hereunder as provided herein.

3. Repayments or Recovery from the Bank. If any demand is made at any time upon the Bank for the repayment or recovery of any amount received by it in payment or on account of any of the Guarantied Obligations and if the Bank repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Guarantors will be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never been received originally by the Bank. The provisions of this section will be and remain effective notwithstanding any contrary action which may have been taken by the Guarantors in reliance upon such payment, and any such contrary action so taken will be without prejudice to the Bank's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable.

4. Financial Statements. If requested in writing by the Bank prior to the payment in full of all of the Guarantied Obligations, and without duplication of any financial information delivered under the Credit Agreement, the Guarantors will promptly submit to the Bank such information relating to the Guarantors' affairs (including but not limited to annual financial statements and tax returns for the Guarantors) or any security for the Guaranty as the Bank may reasonably request.

5. Enforceability of Guarantied Obligations. No modification, limitation or discharge of the Guarantied Obligations arising out of or by virtue of any bankruptcy, reorganization or similar proceeding for relief of debtors under federal or state law will affect, modify, limit or discharge the Guarantors' liability in any manner whatsoever and this Guaranty will remain and continue in full force and effect and will be enforceable against the Guarantors to the same extent and with the same force and effect as if any such proceeding had not been instituted. The Guarantors waive all rights and benefits which might accrue to it by reason of any such proceeding and will be liable to the full extent hereunder, irrespective of any modification, limitation or discharge of the liability of the Borrower that may result from any such proceeding.

The Guarantors expressly waive the effect of any statute of limitations or other limitations on any actions under this Guaranty.

6. Events of Default. The happening of any Event of Default (or if there is no defined set of "Events of Default" therein, the occurrence of a default past any applicable grace and/or cure periods thereunder) as defined in any of the Secured Obligations shall be an **"Event of Default"** hereunder. Upon the occurrence of any Event of Default, (a) the Guarantors shall pay to the Bank the amount of the Guarantied Obligations; or (b) on demand of the Bank, the Guarantors shall immediately deposit with the Bank, in U.S. dollars, all amounts due or to become due under the Guarantied Obligations, and the Bank may at any time use such funds to repay the Guarantied Obligations; or (c) the Bank in its discretion may exercise with respect to any collateral any one or more of the rights and remedies provided a secured party under the applicable version of the Uniform Commercial Code; or (d) the Bank in its discretion may exercise from time to time any other rights and remedies available to it at law, in equity or otherwise.

7. Right of Setoff. In addition to all liens upon and rights of setoff against the Guarantors' money, securities or other property given to the Bank by law, the Bank shall have, with respect to the Guarantors' obligations to the Bank under this Guaranty and to the extent permitted by law, a contractual possessory security interest in and a contractual right of setoff against, and the Guarantors hereby grant Bank a security interest in, and hereby assign, convey, deliver, pledge and transfer to the Bank all of the Guarantors' right, title and interest in and to, all of the Guarantors' deposits, moneys, securities and other property now or hereafter in the possession of or on deposit with, or in transit to, the Bank or any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., whether held in a general or special account or deposit, whether held jointly with someone else, or whether held for safekeeping or otherwise, excluding, however, all IRA, Keogh, and trust accounts. Every such security interest and right of setoff may be exercised without demand upon or notice to the Guarantors. Every such right of setoff shall be deemed to have been exercised immediately upon the occurrence of an Event of Default hereunder without any action of the Bank, although the Bank may enter such setoff on its books and records at a later time.

8. Collateral. This Guaranty is secured by the property described in any collateral security documents which the Guarantors execute and deliver to the Bank and by such other collateral as previously may have been or may in the future be granted to the Bank to secure any Guarantied Obligations of the Guarantors to the Bank.

9. Costs. To the extent that the Bank incurs any costs or expenses in protecting or enforcing its rights under the Guarantied Obligations or this Guaranty, including reasonable attorneys' fees and the costs and expenses of litigation, such costs and expenses will be due on demand, will be included in the Guarantied Obligations and will bear interest from the incurring or payment thereof at the Default Rate (as defined in any of the Guarantied Obligations).

10. Postponement of Subrogation. Until the Guarantied Obligations are indefeasibly paid in full, expire, are terminated and are not subject to any right of revocation or rescission, the Guarantors postpone and subordinate in favor of the Bank or its designee (and any assignee or potential assignee) any and all rights which the Guarantors may have to (a) assert any claim whatsoever against the Borrower based on subrogation, exoneration, reimbursement, or indemnity or any right of recourse to security for the Guarantied Obligations with respect to payments made hereunder, and (b) any realization on any property of the Borrower, including participation in any marshalling of the Borrower's assets.

11. Notices. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder (**"Notices"**) must be in writing and will be effective upon receipt. Notices may be given in any manner to which the Bank and the Guarantors may separately agree, including electronic mail. Without limiting the foregoing, first-class mail, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. Regardless of the manner in which provided, Notices may be sent to

addresses for the Bank and the Guarantors as set forth above or to such other address as either may give to the other for such purpose in accordance with this section.

12. Preservation of Rights. No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. The Bank's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity. The Bank may proceed in any order against the Borrower, the Guarantors or any other obligor of, or any collateral securing, the Guarantied Obligations.

13. Illegality. If any provision contained in this Guaranty should be invalid, illegal or unenforceable in any respect, it shall not affect or impair the validity, legality and enforceability of the remaining provisions of this Guaranty.

14. Changes in Writing. No modification, amendment or waiver of, or consent to any departure by the Guarantors from, any provision of this Guaranty will be effective unless made in a writing signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Notwithstanding the foregoing, the Bank may modify this Guaranty for the purposes of completing missing content or correcting erroneous content, without the need for a written amendment, provided that the Bank shall send a copy of any such modification to the Guarantors (which notice may be given by electronic mail). No notice to or demand on the Guarantors will entitle the Guarantors to any other or further notice or demand in the same, similar or other circumstance.

15. Entire Agreement. This Guaranty (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Guarantors and the Bank with respect to the subject matter hereof; provided, however, that this Guaranty is in addition to, and not in substitution for, any other guarantees from the Guarantors to the Bank.

16. Successors and Assigns. This Guaranty will be binding upon and inure to the benefit of the Guarantors and the Bank and their respective heirs, executors, administrators, successors and assigns; provided, however, that the Guarantors may not assign this Guaranty in whole or in part without the Bank's prior written consent and the Bank at any time may assign this Guaranty in whole or in part.

17. Interpretation. In this Guaranty, unless the Bank and the Guarantors otherwise agree in writing, the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and references to sections or exhibits are to those of this Guaranty. Section headings in this Guaranty are included for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose. If this Guaranty is executed by more than one party as Guarantors, the obligations of such persons or entities will be joint and several.

18. Anti-Money Laundering/International Trade Law Compliance. The Guarantors represent and warrant to the Bank, as of the date of this Guaranty, as of the date of each disbursement of loan proceeds, as of the date of any renewal, extension or modification of any loan, and at all times any Guarantied Obligations exist that: (A) no Guarantors (i) is listed or otherwise recognized as a specially designated, prohibited, sanctioned or debarred person or entity, or subject to any limitations or prohibitions (including but not limited to the blocking of property or rejections of transactions) under any order or directive of any Compliance Authority; (ii) has any of its assets in a Sanctioned Country or in the possession, custody or control of a Sanctioned Person; or (iii) does business in or with, or derives any of its operating income from investments in or transactions with, any Sanctioned Person or Sanctioned Country in violation of any law or regulation enforced by any Compliance Authority; (B) the proceeds of any loan will not be used to fund any operations in, finance any investments or

activities in, or make any payments to, a Sanctioned Person or a Sanctioned Country; and (C) each Guarantor is in compliance with, and no Guarantor engages in any dealings or transactions prohibited by, any laws of the United States including the USA Patriot Act, the Trading with the Enemy Act, or the U.S. Foreign Corrupt Practices Act of 1977, all as amended, supplemented or replaced from time to time. As used herein: "**Compliance Authority**" means each and all of the (a) U.S. Department of the Treasury's Office of Foreign Asset Control; (b) U.S. Treasury Department/Financial Crimes Enforcement Network; (c) U.S. State Department/Directorate of Defense Trade Controls; (d) U.S. Commerce Department/Bureau of Industry and Security; (e) U.S. Internal Revenue Service; (f) U.S. Justice Department; and (g) U.S. Securities and Exchange Commission. "**Sanctioned Country**" means a country subject to a sanctions program maintained by any Compliance Authority. "**Sanctioned Person**" means any individual person, a group, regime, entity or thing subject to, or specially designated under, any sanctions program maintained by any Compliance Authority.

19. Indemnity. The Guarantors agree to indemnify each of the Bank, each legal entity, if any, who controls, is controlled by or is under common control with the Bank and each of their respective directors, officers and employees (the **"Indemnified Parties"**), and to defend and hold each Indemnified Party harmless from and against, any and all claims, damages, losses, liabilities and expenses (including all fees and charges of internal or external counsel with whom any Indemnified Party may consult and all expenses of litigation and preparation therefor) which any Indemnified Party may incur or which may be asserted against any Indemnified Party by any person, entity or governmental authority (including any person or entity claiming derivatively on behalf of the Guarantors), in connection with or arising out of or relating to the matters referred to in this Guaranty, whether (a) arising from or incurred in connection with any breach of a representation, warranty or covenant by the Guarantors, or (b) arising out of or resulting from any suit, action, claim, proceeding or governmental investigation, pending or threatened, whether based on statute, regulation or order, or tort, or contract or otherwise, before any court or governmental authority; provided, however, that the foregoing indemnity agreement shall not apply to any claims, damages, losses, liabilities and expenses solely attributable to an Indemnified Party's gross negligence or willful misconduct. The indemnity agreement contained in this Section shall survive the termination of this Guaranty and assignment of any rights hereunder. The Guarantors may participate at its expense in the defense of any such claim.

20. Governing Law and Jurisdiction. This Guaranty has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated above is located. **THIS GUARANTY WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE BANK AND THE GUARANTORS DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE BANK'S OFFICE INDICATED ABOVE IS LOCATED, EXCLUDING ITS CONFLICT OF LAWS RULES.** The Guarantors hereby irrevocably consent to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank's office indicated above is located; provided that nothing contained in this Guaranty will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Guarantors individually, against any security or against any property of the Guarantors within any other county, state or other foreign or domestic jurisdiction. The Guarantors acknowledge and agree that the venue provided above is the most convenient forum for both the Bank and the Guarantors. The Guarantors waive any objection to venue and any objection based on a more convenient forum in any action instituted under this Guaranty.

21. Equal Credit Opportunity Act. If the Guarantors are not an "applicants for credit" under Section 202.2 (e) of the Equal Credit Opportunity Act of 1974 ("ECOA"), the Guarantors acknowledge that (i) this Guaranty has been executed to provide credit support for the Guarantied Obligations, and (ii) the Guarantors were not required to execute this Guaranty in violation of Section 202.7(d) of the ECOA.

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23. <u>WAIVER OF JURY TRIAL</u>. THE GUARANTORS IRREVOCABLY WAIVE ANY AND ALL RIGHT THE GUARANTORS MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS GUARANTY, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS GUARANTY OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE GUARANTORS ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

The Guarantors acknowledge that each of them has read and understood all the provisions of this Guaranty, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

ATTEST:		**EPAM SYSTEMS, LLC**, a New Jersey limited liability company	
______________________________		By:	______________________________ (SEAL)
Print Name:	______________________________	Print Name:	______________________________
Title:	______________________________	Title:	______________________________
ATTEST:		**VESTED DEVELOPMENT, INC.**, a Delaware corporation	
______________________________		By:	______________________________ (SEAL)
Print Name:	______________________________	Print Name:	______________________________
Title:	______________________________	Title:	______________________________

Security Agreement

THIS SECURITY AGREEMENT (this **"Agreement"**), dated as of this 15th day of January, 2013, is made by **EPAM SYSTEMS, INC.**, a Delaware corporation, **EPAM SYSTEMS, LLC**, a New Jersey limited liability company and **VESTED DEVELOPMENT, INC.**, a Delaware corporation (collectively and individually, the **"Grantor"**), each with an address at 41 University Drive, Suite 202, Newton, PA 18940, in favor of **PNC BANK, NATIONAL ASSOCIATION** (the **"Bank"**), with an address at Two Tower Center Boulevard, East Brunswick, NJ 08816. Terms capitalized but not defined herein shall have the meaning given to such terms in the Credit Agreement between EPAM Systems, Inc. and the Bank dated as of the date hereof (as amended, restated or otherwise modified, the **"Credit Agreement"**).

Under the terms hereof, the Bank desires to obtain and the Grantor desires to grant the Bank security for all of the Secured Obligations (as hereinafter defined).

NOW, THEREFORE, the Grantor and the Bank, intending to be legally bound, hereby agree as follows:

1. Definitions.

(a) **"Collateral"** shall include all personal property of the Grantor, including the following, all whether now owned or hereafter acquired or arising and wherever located: (i) accounts (including health-care-insurance receivables and credit card receivables); (ii) securities entitlements, securities accounts, commodity accounts, commodity contracts and investment property; (iii) deposit accounts; (iv) instruments (including promissory notes); (v) documents (including warehouse receipts); (vi) chattel paper (including electronic chattel paper and tangible chattel paper); (vii) inventory, including raw materials, work in process, or materials used or consumed in Grantor's business, items held for sale or lease or furnished or to be furnished under contracts of service, sale or lease, goods that are returned, reclaimed or repossessed; (viii) goods of every nature, including stock-in-trade, goods on consignment, standing timber that is to be cut and removed under a conveyance or contract for sale, the unborn young of animals, crops grown, growing, or to be grown, manufactured homes, computer programs embedded in such goods and farm products; (ix) equipment, including machinery, vehicles and furniture; (x) fixtures; (xi) agricultural liens; (xii) as-extracted collateral; (xiii) commercial tort claims, if any, described on Exhibit "A" hereto; (xiv) letter of credit rights; (xv) general intangibles, of every kind and description, including payment intangibles, software, computer information, source codes, object codes, records and data, all existing and future customer lists, choses in action, claims (including claims for indemnification or breach of warranty), books, records, patents and patent applications, copyrights, trademarks, tradenames, tradestyles, trademark applications, goodwill, blueprints, drawings, designs and plans, trade secrets, contracts, licenses, license agreements, formulae, tax and any other types of refunds, returned and unearned insurance premiums, rights and claims under insurance policies; (xvi) all supporting obligations of all of the foregoing property; (xvii) all property of the Grantor now or hereafter in the Bank's possession or in transit to or from, or under the custody or control of, the Bank or any affiliate thereof; (xviii) all cash and cash equivalents thereof; and (xix) all cash and noncash proceeds (including insurance proceeds) of all of the foregoing property, all products thereof and all additions and accessions thereto, substitutions therefor and replacements thereof. The Collateral shall also include any and all other tangible or intangible property that is described as being part of the Collateral pursuant to one or more Riders to Security Agreement that may be attached hereto or delivered in connection herewith, including the Rider to Security Agreement - Copyrights, the Rider to Security Agreement - Patents, the Rider to Security Agreement - Trademarks and the Rider to Security Agreement - Cash Collateral Account; provided that the Collateral shall not include, and no security interest is hereby granted, pledged or collaterally assigned in the following (collectively, the **"Excluded Collateral"**): (i) any asset for which the

granting of a security interest is prohibited by law and such prohibition is not over-ridden by the UCC or other applicable law (provided that this clause (i) shall not apply to cash Proceeds of dispositions thereof in accordance with applicable law, including, without limitation, rules and regulations of any governmental authority or agency), (ii) more than 65% of the issued and outstanding equity interest in any Foreign Subsidiary or (iii) any lease, license, contract or agreement to which any Grantor is a party, and any of its rights or interest thereunder, if and to the extent that a security interest is prohibited by or in violation of (A) any law, rule or regulation applicable to such Grantor, or (B) a term, provision or condition of any such lease, license, contract or agreement (unless such law, rule, regulation, term, provision or condition would be rendered ineffective with respect to the creation of the security interest hereunder pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions)); provided however that the Collateral shall include (and such security interest shall attach) immediately at such time as the contractual or legal prohibition shall no longer be applicable and to the extent severable, shall attach immediately to any portion of such lease, license, contract or agreement not subject to the prohibitions specified in (A) or (B) above; provided further that the exclusions referred to in this clause (iii) shall not include any Proceeds of any such lease, license, contract or agreement. Notwithstanding that motor vehicles and other items of Collateral as to which perfection of a Lien is not governed by the UCC, but instead by state certificate of title laws are included in the Collateral, perfection of such Liens under such state laws by the Bank is not required as of the date of this Agreement, and the Bank reserves its right to require such perfection under such state laws if any Event of Default occurs.

(b) **"Secured Obligations"** shall include all Obligations, covenants and duties owing by the Grantor to the Bank or to any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., of any kind or nature, present or future (including any interest accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to the Grantor, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect (including those acquired by assignment or participation), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, whether or not (i) evidenced by any note, guaranty or other instrument, (ii) arising under any agreement, instrument or document, (iii) for the payment of money, (iv) arising by reason of an extension of credit, opening of a letter of credit, loan, equipment lease or guarantee, (v) under any interest or currency swap, future, option or other interest rate protection or similar agreement, (vi) under or by reason of any foreign currency transaction, forward, option or other similar transaction providing for the purchase of one currency in exchange for the sale of another currency, or in any other manner, (vii) arising out of overdrafts on deposit or other accounts or out of electronic funds transfers (whether by wire transfer or through automated clearing houses or otherwise) or out of the return unpaid of, or other failure of the Bank to receive final payment for, any check, item, instrument, payment order or other deposit or credit to a deposit or other account, or out of the Bank's non-receipt of or inability to collect funds or otherwise not being made whole in connection with depository or other similar arrangements; and any amendments, extensions, renewals and increases of or to any of the foregoing, and all costs and expenses of the Bank incurred in the documentation, negotiation, modification, enforcement, collection and otherwise in connection with any of the foregoing, including reasonable attorneys' fees and expenses.

(c) **"UCC"** means the Uniform Commercial Code, as adopted and enacted and as in effect from time to time in the State whose law governs pursuant to the Section of this Agreement entitled "Governing Law and Jurisdiction." Terms used herein which are defined in the UCC and not otherwise defined herein shall have the respective meanings ascribed to such terms in the UCC. To the extent the definition of any category or type of collateral is modified by any amendment, modification or revision to the UCC, such modified definition will apply automatically as of the date of such amendment, modification or revision.

2. Grant of Security Interest. To secure the Secured Obligations, the Grantor, as debtor, hereby assigns and grants to the Bank, as secured party, a continuing lien on and security interest in the Collateral.

3. <u>Change in Name or Locations</u>. The Grantor hereby agrees that if the location of the Collateral changes from the locations listed on **Exhibit "A"** hereto (to the extent Collateral in excess of $250,000 is maintained at such location) and made part hereof, or if the Grantor changes its name, its type of organization, its state of organization (if Grantor is a registered organization), its chief executive office (if Grantor is a general partnership or non-registered organization), the Grantor will promptly notify the Bank in writing of the additions or changes.

4. <u>Representations and Warranties</u>. The Grantor represents, warrants and covenants to the Bank that: (a) all information, including its type of organization, jurisdiction of organization, chief executive office, and (for individuals only) principal residence are as set forth on Exhibit "A" hereto and are true and correct on the date hereof; (b) the Grantor has good, marketable and indefeasible title to the Collateral, except as otherwise contemplated or permitted under Sections 6.1.11, 8.1.4 and 8.2.7 of the Credit Agreement, or except for claims for credit, allowance or adjustment by any account debtor or setoffs, defenses or counterclaims (collectively, "**Setoffs**") in an aggregate amount at any time not to exceed $5,000,000, and has not made any prior sale, pledge, encumbrance, assignment or other disposition of any of the Collateral, and the Collateral is free from all encumbrances and Setoffs of any kind, other than in favor of the Bank, as contemplated or permitted under Sections 6.1.11, 8.1.4, 8.2.2 and 8.2.7 of the Credit Agreement or Setoffs in an aggregate amount at any time not to exceed $5,000,000; (c) each account and payment intangible, if included in the definition of Collateral, is genuine and enforceable in accordance with its terms, except as otherwise contemplated or permitted under Sections 6.1.11, 8.1.4 and 8.2.7 of the Credit Agreement or except for Setoffs in an aggregate amount at any time not to exceed $5,000,000, and the Grantor will defend the same against all Setoffs at any time asserted other than those arising from liens contemplated or permitted under Section 8.2.2 of the Credit Agreement or from Setoffs in an aggregate amount at any time not to exceed $5,000,000; and (d) except as otherwise contemplated or permitted under Sections 6.1.11, 8.1.4 and 8.2.7 of the Credit Agreement, at the time any account or payment intangible becomes subject to this Agreement, such account or payment intangible will be a good and valid account or payment intangible representing a bona fide sale of goods or services by the Grantor and such goods will have been shipped to the respective account debtors or the services will have been performed for the respective account debtors, and no such account or general intangible will be subject to any Setoffs in an aggregate amount at any time in excess of $5,000,000.

5. <u>Grantor's Covenants</u>. The Grantor covenants that it shall:

(a) from time to time and at all reasonable times, but in accordance with Section 8.1.5 of the Credit Agreement, allow the Bank, by or through any of its officers, agents, attorneys, or accountants, to examine or inspect the Collateral, and obtain valuations and audits of the Collateral, at the Grantor's expense, wherever located; <u>provided</u> that the Grantor shall not be obligated to pay the cost of more than one inspection in any fiscal year so long as no Event of Default exists. The Grantor shall do, obtain, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as the Bank may reasonably require to vest in and assure to the Bank its rights hereunder and in or to the Collateral, and the proceeds thereof, including using its commercially reasonable efforts to obtain waivers from landlords, warehousemen and mortgagees. Upon and during the continuance of an Event of Default, the Grantor agrees that the Bank has the right to notify (on invoices or otherwise) account debtors and other obligors or payors on any Collateral of its assignment to the Bank, and that all payments thereon should be made directly to the Bank, and that the Bank has full power and authority to collect, compromise, endorse, sell or otherwise deal with the Collateral in its own name or that of the Grantor at any time upon and during the continuation of an Event of Default;

(b) keep the Collateral in good order and repair at all times (ordinary wear and tear excepted) and promptly notify the Bank of any event causing a material loss or decline in value of the Collateral, taken as a whole, whether or not covered by insurance, and the amount of such loss or depreciation;

(c) except as otherwise contemplated in Section 8.1.7 of the Credit Agreement, only use or permit the Collateral to be used in accordance in all material respects with all applicable federal, state, county and municipal laws and regulations;

(d) have and maintain insurance at all times with respect to all Collateral in accordance with Section 8.1.3 of the Credit Agreement. Each such casualty insurance policy shall contain a standard Lender's Loss Payable Clause issued in favor of the Bank under which all losses thereunder shall be paid to the Bank as the Bank's interests may appear. Such policies shall expressly provide that the requisite insurance cannot be altered or canceled without at least thirty (30) days prior written notice to the Bank and shall insure the Bank notwithstanding the act or neglect of the Grantor. Upon the Bank's demand, the Grantor shall furnish the Bank with duplicate original policies of insurance or such other evidence of insurance as the Bank may reasonably require. In the event of failure to provide insurance as herein provided, the Bank may, at its option, obtain such insurance and the Grantor shall pay to the Bank, on demand, the cost thereof. During the occurrence of an Event of Default, proceeds of insurance may be applied by the Bank to reduce the Secured Obligations or to repair or replace Collateral, all in the Bank's sole discretion;

(e) not hereafter sell, pledge, encumber, assign or otherwise dispose of any of the Collateral or permit any Setoffs or any lien or security interest to exist thereon other than in favor of the Bank, except as otherwise contemplated or permitted under Sections 8.1.4, 8.2.2 and 8.2.7 of the Credit Agreement (other than Setoffs) or Setoffs in an aggregate amount at any time not to exceed $5,000,000; and

(f) subject to the preceding clause (e), defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

6. <u>Negative Pledge; No Transfer</u>. Except as permitted under the Credit Agreement, the Grantor will not sell or offer to sell or otherwise transfer or grant or allow the imposition of a lien or security interest upon the Collateral.

7. <u>Covenants for Accounts</u>. If accounts are included in the definition of Collateral:

(a) The Grantor will, on the Bank's demand upon and during the continuation of an Event of Default, make notations on its books and records showing the Bank's security interest and make available to the Bank shipping and delivery receipts evidencing the shipment of the goods that gave rise to an account, completion certificates or other proof of the satisfactory performance of services that gave rise to an account, a copy of the invoice for each account and copies of any written contract or order from which an account arose. The Grantor shall promptly notify the Bank if an account in excess of $1,000,000 becomes evidenced or secured by an instrument or chattel paper and upon the Bank's request, will promptly deliver any such instrument or chattel paper to the Bank, including any letter of credit delivered to the Grantor to support a shipment of inventory by the Grantor.

(b) Upon and during the continuation of an Event of Default, the Grantor will upon request by the Bank promptly advise the Bank whenever an account debtor refuses to retain or returns any material goods from the sale of which an account arose and will comply with any reasonable instructions that the Bank may give regarding the sale or other disposition of such returns. From time to time as the Bank may request upon and during the continuation of an Event of Default, the Grantor will report to the Bank all credits given to account debtors on all accounts.

(c) The Grantor will immediately notify the Bank if any account in excess of $1,000,000 arises out of contracts with the United States or any department, agency or instrumentality thereof, and, upon Bank's reasonable request, will execute any instruments and take any steps required by the Bank so that all monies due

and to become due under such contract shall be assigned to the Bank and notice of the assignment given to and acknowledged by the appropriate government agency or authority under the Federal Assignment of Claims Act.

(d) At any time after the occurrence and during the continuation of an Event of Default, and without notice to the Grantor, the Bank may direct any persons who are indebted to the Grantor on any Collateral consisting of accounts or general intangibles to make payment directly to the Bank of the amounts due. The Bank is authorized to collect, compromise, endorse and sell any such Collateral in its own name or in the Grantor's name and to give receipts to such account debtors for any such payments and the account debtors will be protected in making such payments to the Bank. Upon the Bank's written request after and during the continuation of an Event of Default, the Grantor will establish with the Bank and maintain a lockbox account (**"Lockbox"**) with the Bank and a depository account(s) (**"Cash Collateral Account"**) with the Bank subject to the provisions of this subparagraph and such other related agreements as the Bank may require, and the Grantor shall notify its account debtors to remit payments directly to the Lockbox. Thereafter, funds collected in the Lockbox shall be transferred to the Cash Collateral Account, and funds in the Cash Collateral Account shall be applied by the Bank, daily, to reduce the outstanding Secured Obligations.

8. <u>Further Assurances</u>. By its signature hereon, the Grantor hereby irrevocably authorizes the Bank to execute (on behalf of the Grantor) and file against the Grantor one or more financing, continuation or amendment statements pursuant to the UCC in form satisfactory to the Bank, and the Grantor will pay the cost of preparing and filing the same in all jurisdictions in which such filing is deemed by the Bank to be necessary or desirable in order to perfect, preserve and protect its security interests. If required by the Bank, the Grantor will execute all documentation necessary for the Bank to obtain and maintain perfection of its security interests in the Collateral. At the Bank's request, the Grantor will execute, in form satisfactory to the Bank, a Rider to Security Agreement - Copyrights (if any Collateral consists of registered or unregistered copyrights), a Rider to Security Agreement - Patents (if any Collateral consists of patents or patent applications), a Rider to Security Agreement - Trademarks (if any Collateral consists of trademarks, tradenames, tradestyles or trademark applications). If any Collateral consists of letter of credit rights, electronic chattel paper, deposit accounts or supporting obligations not maintained with the Bank or one of its affiliates, or any securities entitlement, securities account, commodities account, commodities contract or other investment property in excess of $250,000, then at the Bank's request the Grantor will execute, and will cause the depository institution or securities intermediary upon whose books and records the ownership interest of the Grantor in such Collateral appears, to execute such Pledge Agreements, Notification and Control Agreements or other agreements as the Bank deems necessary in order to perfect, prioritize and protect its security interest in such Collateral, in each case in a form satisfactory to the Bank.

9. <u>Events of Default</u>. The Grantor shall, at the Bank's option, be in default under this Agreement upon the happening of any Event of Default (or if there is no defined set of "Events of Default" therein, the occurrence of a default past any applicable grace and/or cure periods thereunder) as defined in any of the Secured Obligations.

10. <u>Remedies</u>. Upon the occurrence of any such Event of Default and at any time during the continuance thereof, the Bank may declare all Secured Obligations immediately due and payable and shall have, in addition to any remedies provided herein or by any applicable law or in equity, all the remedies of a secured party under the UCC. The Bank's remedies include, but are not limited to, the right to (a) peaceably by its own means or with judicial assistance enter the Grantor's premises and take possession of the Collateral without prior notice to the Grantor or the opportunity for a hearing, (b) render the Collateral unusable, (c) dispose of the Collateral on the Grantor's premises, (d) require the Grantor to assemble the Collateral and make it available to the Bank at a place designated by the Bank, and (e) notify the United States Postal Service to send the Grantor's mail to the Bank. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Bank will give the Grantor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of commercially reasonable notice shall be met if such notice is sent to the Grantor at least ten (10) days before the time of the intended sale or disposition. Expenses of retaking, holding, preparing for disposition,

disposing or the like shall include the Bank's reasonable attorneys' fees and legal expenses, incurred or expended by the Bank to enforce any payment due it under this Agreement either as against the Grantor, or in the prosecution or defense of any action, or concerning any matter growing out of or connection with the subject matter of this Agreement and the Collateral pledged hereunder. The Grantor waives all relief from all appraisement or exemption laws now in force or hereafter enacted.

11. Power of Attorney. The Grantor does hereby make, constitute and appoint any officer or agent of the Bank as the Grantor's true and lawful attorney-in-fact, with power presently granted and exercisable upon and during the continuation of an Event of Default to (a) endorse the name of the Grantor or any of the Grantor's officers or agents upon any notes, checks, drafts, money orders, or other instruments of payment or Collateral that may come into the Bank's possession in full or part payment of any Obligations; (b) sue for, compromise, settle and release all claims and disputes with respect to, the Collateral; and (c) sign, for the Grantor, such documentation required by the UCC, or supplemental intellectual property security agreements; granting to the Grantor's said attorney full power to do any and all things necessary to be done in and about the premises as fully and effectually as the Grantor might or could do. The Grantor hereby ratifies all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest, and is irrevocable.

12. Payment of Expenses. At its option, the Bank may discharge taxes, liens, security interests or such other encumbrances as may attach to the Collateral which are not expressly permitted under the Loan Documents, may pay for required insurance on the Collateral if not obtained by the Grantor in accordance with the Loan Documents and, in accordance with the Loan Documents, may pay for the maintenance, appraisal or reappraisal, and preservation of the Collateral. With duplication of Grantor's expense reimbursement obligations set forth in the other Loan Documents, the Grantor will reimburse the Bank on demand for any payment so made or any expense incurred by the Bank pursuant to the foregoing authorization, and the Collateral also will secure any advances or payments so made or expenses so incurred by the Bank.

13. Notices. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder (**"Notices"**) must be in writing and will be effective upon receipt. Notices may be given in any manner to which the parties may separately agree, including electronic mail. Without limiting the foregoing, first-class mail, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. Regardless of the manner in which provided, Notices may be sent to a party's address as set forth above or to such other address as any party may give to the other for such purpose in accordance with this section.

14. Preservation of Rights. No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. The Bank's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity.

15. Illegality. If any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, it shall not affect or impair the validity, legality and enforceability of the remaining provisions of this Agreement.

16. Changes in Writing. No modification, amendment or waiver of, or consent to any departure by the Grantor from, any provision of this Agreement will be effective unless made in a writing signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Grantor will entitle the Grantor to any other or further notice or demand in the same, similar or other circumstance.

17. Entire Agreement. This Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

18. Counterparts. This Agreement may be signed in any number of counterpart copies and by the parties hereto on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart. Any party so executing this Agreement by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

19. Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the Grantor and the Bank and their respective heirs, executors, administrators, successors and assigns; provided, however, that the Grantor may not assign this Agreement in whole or in part without the Bank's prior written consent and the Bank at any time may assign this Agreement in whole or in part.

20. Interpretation. In this Agreement, unless the Bank and the Grantor otherwise agree in writing, the singular includes the plural and the plural the singular; words importing any gender include the other genders; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to articles, sections (or subdivisions of sections) or exhibits are to those of this Agreement; and references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent such amendments and other modifications are not prohibited by the terms of this Agreement. Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. Unless otherwise specified in this Agreement, all accounting terms shall be interpreted and all accounting determinations shall be made in accordance with GAAP. If this Agreement is executed by more than one Grantor, the obligations of such persons or entities will be joint and several.

21. Indemnity. The Grantor agrees to indemnify each of the Bank, each legal entity, if any, who controls the Bank and each of their respective directors, officers and employees (the **"Indemnified Parties"**) and to defend and hold each Indemnified Party harmless from and against any and all claims, damages, losses, liabilities and expenses (including all fees and charges of internal or external counsel with whom any Indemnified Party may consult and all expenses of litigation and preparation therefor) which any Indemnified Party may incur or which may be asserted against any Indemnified Party by any person, entity or governmental authority (including any person or entity claiming derivatively on behalf of the Grantor), in connection with or arising out of or relating to the matters referred to in this Agreement or the Secured Obligations, whether (a) arising from or incurred in connection with any breach of a representation, warranty or covenant by the Grantor, or (b) arising out of or resulting from any suit, action, claim, proceeding or governmental investigation, pending or threatened, whether based on statute, regulation or order, or tort, or contract or otherwise, before any court or governmental authority; provided, however, that the foregoing indemnity agreement shall not apply to any claims, damages, losses, liabilities and expenses solely attributable to an Indemnified Party's gross negligence or willful misconduct. The indemnity agreement contained in this Section shall survive the termination of this Agreement, payment of the Secured Obligations and assignment of any rights hereunder. The Grantor may participate at its expense in the defense of any such claim.

22. Governing Law and Jurisdiction. This Agreement has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated above is located. **THIS AGREEMENT WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE BANK'S OFFICE INDICATED ABOVE IS LOCATED,**

EXCEPT THAT THE LAWS OF THE STATE WHERE ANY COLLATERAL IS LOCATED (IF DIFFERENT FROM THE STATE WHERE SUCH OFFICE OF THE BANK IS LOCATED) SHALL GOVERN THE CREATION, PERFECTION AND FORECLOSURE OF THE LIENS CREATED HEREUNDER ON SUCH PROPERTY OR ANY INTEREST THEREIN. The Grantor hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank's office indicated above is located; provided that nothing contained in this Agreement will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Grantor individually, against any security or against any property of the Grantor within any other county, state or other foreign or domestic jurisdiction. The Bank and the Grantor agree that the venue provided above is the most convenient forum for both the Bank and the Grantor. The Grantor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Agreement.

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23. WAIVER OF JURY TRIAL. EACH OF THE GRANTOR AND THE BANK IRREVOCABLY WAIVES ANY AND ALL RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS AGREEMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE GRANTOR AND THE BANK ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

The Grantor acknowledges that it has read and understood all the provisions of this Agreement, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above.

EPAM SYSTEMS, INC., a Delaware corporation

By: ____________________

Print Name: ____________________

Title: ____________________

EPAM SYSTEMS, LLC, a New Jersey limited liability company

By: ____________________

Print Name: ____________________

Title: ____________________

VESTED DEVELOPMENT, INC.,
a Delaware corporation

By: ____________________

Print Name: ____________________

Title: ____________________

PNC BANK, NATIONAL ASSOCIATION

By: ____________________________

Print Name: Virginia Alling

Title: Vice President

EXHIBIT “A”

TO SECURITY AGREEMENT

1. Grantor’s form of organization (i.e., corporation, partnership, limited liability company):
2. Grantor’s State of organization, if a registered organization (i.e., corporation, limited partnership or limited liability company):
3. Grantor’s principal residence, if a natural person or general partnership:
4. Address of Grantor’s chief executive office, including the County:
5. Grantor’s EIN, if not a natural person:
6. Grantor’s organizational ID# (if any exists):
7. Address for books and records, if different:
8. Addresses of other Collateral locations, including Counties:
9. Name and address of landlord or owner if location is not owned by the Grantor:
10. List of all existing Commercial Tort Claims (by case title with court and brief description of claim):

Pledge Agreement
(Stocks, Bonds and Commercial Paper)

THIS PLEDGE AGREEMENT, dated as of this 15th day of January, 2013, is made by **EPAM SYSTEMS, INC.**, a Delaware corporation, **EPAM SYSTEMS, LLC**, a New Jersey limited liability company and **VESTED DEVELOPMENT, INC.**, a Delaware corporation (each, a **"Pledgor"** and, collectively, the "**Pledgors**"), each with an address at 41 University Drive, Suite 202, Newton, PA 18940, in favor of **PNC BANK, NATIONAL ASSOCIATION** (the **"Secured Party"**), with an address at Two Tower Center Boulevard, East Brunswick, NJ 08816. Terms capitalized but not defined herein shall have the meaning given to such terms in the Credit Agreement between EPAM Systems, Inc. and the Secured Party dated as of the date hereof (the **"Credit Agreement"**).

1. Pledge. In order to induce the Secured Party to extend the Secured Obligations (as defined below), each of the Pledgors hereby grants a security interest in and pledge to the Secured Party, and to all other direct or indirect subsidiaries of The PNC Financial Services Group, Inc., all of the Pledgors' right, title and interest in and to the investment property and other assets described in Exhibit A attached hereto and made a part hereof, and all security entitlements of the Pledgors with respect thereto, whether now owned or hereafter acquired, together with all additions, substitutions, replacements and proceeds thereof and all income, interest, dividends and other distributions thereon (collectively, the **"Collateral"**). If the Collateral includes certificated securities, documents or instruments, such certificates are herewith delivered to the Secured Party accompanied by duly executed blank stock or bond powers or assignments as applicable. The Pledgors hereby authorize the transfer of possession of all certificates, instruments, documents and other evidence of the Collateral to the Secured Party.

2. Secured Obligations. The Collateral secures payment of all Obligations, covenants and duties owing from the Pledgors to the Secured Party or to any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., of any kind or nature, present or future (including any interest accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to the Pledgors, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect (including those acquired by assignment or participation), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, whether or not (i) evidenced by any note, guaranty or other instrument, (ii) arising under any agreement, instrument or document, (iii) for the payment of money, (iv) arising by reason of an extension of credit, opening of a letter of credit, loan, equipment lease or guarantee, (v) under any interest or currency swap, future, option or other interest rate protection or similar agreement, (vi) under or by reason of any foreign currency transaction, forward, option or other similar transaction providing for the purchase of one currency in exchange for the sale of another currency, or in any other manner, or (vii) arising out of overdrafts on deposit or other accounts or out of electronic funds transfers (whether by wire transfer or through automated clearing houses or otherwise) or out of the return unpaid of, or other failure of the Secured Party to receive final payment for, any check, item, instrument, payment order or other deposit or credit to a deposit or other account, or out of the Secured Party's non-receipt of or inability to collect funds or otherwise not being made whole in connection with depository or other similar arrangements; and any amendments, extensions, renewals and increases of or to any of the foregoing, and all costs and expenses of the Secured Party incurred in the documentation, negotiation, modification, enforcement, collection and otherwise in connection with any of the foregoing, including reasonable attorneys' fees and expenses (hereinafter referred to collectively as the "**Secured Obligations**").

3. Representations and Warranties. The Pledgors represent and warrant to the Secured Party as follows:

3.1 There are no restrictions on the pledge or transfer of any of the Collateral, other than (a) restrictions referenced on the face of any certificates evidencing the Collateral, (b) in a foreign jurisdiction other than Canada and the United Kingdom, restrictions imposed on securities in a Foreign Subsidiary under local law of such foreign jurisdiction, and (c) customary restrictions set forth in Canadian formation documents designed to ensure that a Canadian entity is a "private company" under Canadian securities law.

3.2 The Pledgors are the legal owners of the Collateral, which is registered in the name of each applicable Pledgor.

3.3 The Collateral is free and clear of any security interests, pledges, liens, encumbrances, charges, agreements, claims or other arrangements or restrictions of any kind, except as referenced in Section 3.1 above and any liens expressly permitted under the Loan Documents; and the Pledgors will not incur, create, assume or permit to exist any pledge, security interest, lien, charge or other encumbrance of any nature whatsoever on any of the Collateral or assign, pledge or otherwise encumber any right to receive income from the Collateral, other than in favor of the Secured Party or as expressly permitted under the Loan Documents.

3.4 Except as expressly permitted under the Loan Documents, the Pledgors have the right to transfer the Collateral free of any encumbrances and the Pledgors will defend the Pledgors' title to the Collateral against the claims of all persons, and any registration with, or consent or approval of, or other action by, any federal, state or other governmental authority or regulatory body which was or is necessary for the validity of the pledge of and grant of the security interest in the Collateral has been obtained.

3.5 The pledge of and grant of the security interest in the Collateral is effective to vest in the Secured Party a valid and perfected first priority security interest, superior to the rights of any other person (other than the rights of lienholders expressly permitted under the Loan Documents), in and to the Collateral as set forth herein.

4. <u>Covenants</u>.

4.1 If all or part of the Collateral constitutes "margin stock" within the meaning of Regulation U of the Federal Reserve Board, the Pledgors agree, or if the Pledgors are not the Borrower, it shall cause the Borrower, to execute and deliver Form U-1 to the Secured Party and, unless otherwise agreed in writing between the Borrower and the Secured Party, no part of the proceeds of the Secured Obligations may be used to purchase or carry margin stock.

4.2 Pledgors agree not to invoke, and hereby waive their rights under, any statute under any state or federal law which permits the recharacterization of any portion of the Collateral to be interest or income.

5. <u>Default</u>.

5.1 If any Event of Default (or if there is no defined set of "Events of Default" therein, the occurrence of a default past any applicable grace and/or cure periods thereunder) as defined in any of the Secured Obligations) occurs, then the Secured Party is authorized in its discretion to declare any or all of the Secured Obligations to be immediately due and payable without demand or notice, which are expressly waived, and may exercise any one or more of the rights and remedies granted pursuant to this Pledge Agreement or given to a secured party under the Uniform Commercial Code of the applicable state, as it may be amended from time to time, or otherwise at law or in equity, including without limitation the right to issue a Notice of Exclusive Control (as defined in the Control Agreement) to the Custodian, and/or to sell or otherwise dispose of any or all of the Collateral at public or private sale, with or without advertisement thereof, upon such terms and conditions as it may deem advisable and at such prices as it may deem best.

5.2 (a) At any bona fide public sale, and to the extent permitted by law, at any private sale, the Secured Party shall be free to purchase all or any part of the Collateral, free of any right or equity of redemption in the Pledgors or Borrower, which right or equity is hereby waived and released. Any such sale may be on cash or credit. The Secured Party shall be authorized at any such sale (if it deems it advisable to do so) to

restrict the prospective bidders or purchasers to persons who will represent and agree that they are purchasing the Collateral for their own account in compliance with Regulation D of the Securities Act of 1933 (the "**Act**") or any other applicable exemption available under such Act. The Secured Party will not be obligated to make any sale if it determines not to do so, regardless of the fact that notice of the sale may have been given. The Secured Party may adjourn any sale and sell at the time and place to which the sale is adjourned. If the Collateral is customarily sold on a recognized market or threatens to decline speedily in value, the Secured Party may sell such Collateral at any time without giving prior notice to the Pledgors. Whenever notice is otherwise required by law to be sent by the Secured Party to the Pledgors of any sale or other disposition of the Collateral, ten (10) days written notice sent to the Pledgors at their address specified above will be reasonable.

(b) The Pledgors recognize that the Secured Party may be unable to effect or cause to be effected a public sale of the Collateral by reason of certain prohibitions contained in the Act, so that the Secured Party may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obligated to agree, among other things, to acquire the Collateral for their own account, for investment and without a view to the distribution or resale thereof. The Pledgors understand that private sales so made may be at prices and on other terms less favorable to the seller than if the Collateral were sold at public sales, and agree that the Secured Party has no obligation to delay or agree to delay the sale of any of the Collateral for the period of time necessary to permit the issuer of the securities which are part of the Collateral (even if the issuer would agree), to register such securities for sale under the Act. The Pledgors agree that private sales made under the foregoing circumstances shall be deemed to have been made in a commercially reasonable manner.

5.3 The net proceeds arising from the disposition of the Collateral after deducting expenses incurred by the Secured Party will be applied to the Secured Obligations in the order determined by the Secured Party. If any excess remains after the discharge of all of the Secured Obligations, the same will be paid to the Pledgors. If after exhausting all of the Collateral there is a deficiency, the Pledgors or, if the Pledgors are not borrowing from the Secured Party or providing a guaranty of the Borrower's obligations, the Borrower will be liable therefor to the Secured Party; provided, however, that nothing contained herein will obligate the Secured Party to proceed against the Pledgors, the Borrower or any other party obligated under the Secured Obligations or against any other collateral for the Secured Obligations prior to proceeding against the Collateral.

5.4 If any demand is made at any time upon the Secured Party for the repayment or recovery of any amount received by it in payment or on account of any of the Secured Obligations and if the Secured Party repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Pledgors will be and remain liable for the amounts so repaid or recovered to the same extent as if such amount had never been originally received by the Secured Party. The provisions of this section will be and remain effective notwithstanding the release of any of the Collateral by the Secured Party in reliance upon such payment (in which case the Pledgors' liability will be limited to an amount equal to the fair market value of the Collateral determined as of the date such Collateral was released) and any such release will be without prejudice to the Secured Party's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable. This Section shall survive the termination of this Pledge Agreement.

6. Voting Rights and Transfer. So long as no Event of Default exists, the Pledgors will have the right to exercise all voting rights with respect to the Collateral. At any time after the occurrence and during the continuation of an Event of Default, the Secured Party may transfer any or all of the Collateral into its name or that of its nominee and may exercise all voting rights with respect to the Collateral, but no such transfer shall constitute a taking of such Collateral in satisfaction of any or all of the Secured Obligations unless the Secured Party expressly so indicates by written notice to the Pledgors.

7. Dividends, Interest and Premiums. The Pledgors will have the right to receive all cash dividends, interest and premiums declared and paid on the Collateral prior to the occurrence and during the continuation of any Event of Default. In the event any additional shares are issued to the Pledgors as a stock dividend or in lieu of interest on any of the Collateral, as a result of any split of any of the Collateral, by

reclassification or otherwise, any certificates evidencing any such additional shares will be immediately delivered to the Secured Party and such shares will be subject to this Pledge Agreement and a part of the Collateral to the same extent as the original Collateral. At any time after the occurrence and during the continuation of an Event of Default, the Secured Party shall be entitled to receive all cash or stock dividends, interest and premiums declared or paid on the Collateral, all of which shall be subject to the Secured Party's rights under Section 5 above.

8. Securities Account. If any Event of Default exists, any of the Collateral includes securities or any other financial or other asset maintained in a securities account not with the Bank, and the Bank so requests, then the Pledgors agree to cause the securities intermediary on whose books and records the ownership interest of the Pledgors in the Collateral appears (the **"Custodian"**) to execute and deliver, contemporaneously herewith, a notification and control agreement or other agreement (the **"Control Agreement"**) satisfactory to the Secured Party in order to perfect and protect the Secured Party's security interest in the Collateral.

9. Further Assurances. By its signature hereon, the Pledgors hereby irrevocably authorize the Secured Party, at any time and from time to time, to execute (on behalf of the Pledgors), file and record against the Pledgors any notice, financing statement, continuation statement, amendment statement, instrument, document or agreement under the Uniform Commercial Code that the Secured Party may consider necessary or desirable to create, preserve, continue, perfect or validate any security interest granted hereunder or to enable the Secured Party to exercise or enforce its rights hereunder with respect to such security interest. Without limiting the generality of the foregoing, the Pledgors hereby irrevocably appoint the Secured Party as the Pledgors' attorney-in-fact to do all acts and things in the Pledgors' name that the Secured Party may deem necessary or desirable. This power of attorney is coupled with an interest with full power of substitution and is irrevocable. The Pledgors hereby ratify all that said attorney shall lawfully do or cause to be done by virtue hereof.

10. Notices. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder ("**Notices**") must be in writing and will be effective upon receipt. Notices may be given in any manner to which the parties may separately agree, including electronic mail. Without limiting the foregoing, first-class mail, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. Regardless of the manner in which provided, Notices may be sent to a party's address as set forth above or to such other address as either the Pledgors or the Secured Party may give to the other for such purpose in accordance with this section.

11. Preservation of Rights. (a) No delay or omission on the Secured Party's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Secured Party's action or inaction impair any such right or power. The Secured Party's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Secured Party may have under other agreements, at law or in equity.

(b) The Secured Party may, at any time and from time to time, without notice to or the consent of the Pledgors unless otherwise expressly required pursuant to the terms of the Secured Obligations, and without impairing or releasing, discharging or modifying the Pledgors' liabilities hereunder, (i) change the manner, place, time or terms of payment or performance of or interest rates on, or other terms relating to, any of the Secured Obligations; (ii) renew, substitute, modify, amend or alter, or grant consents or waivers relating to any of the Secured Obligations, any other pledge or security agreements, or any security for any Secured Obligations; (iii) apply any and all payments by whomever paid or however realized including any proceeds of any collateral, to any Secured Obligations of the Pledgors or the Borrower in such order, manner and amount as the Secured Party may determine in its sole discretion; (iv) deal with any other person with respect to any Secured Obligations in such manner as the Secured Party deems appropriate in its sole discretion; (v) substitute, exchange or release any security or guaranty; or (vi) take such actions and exercise such remedies hereunder as provided herein. The Pledgors hereby waive (a) presentment, demand, protest, notice of dishonor and notice of non-payment and all other notices to which the Pledgors might otherwise be entitled, and (b) all defenses based on suretyship or impairment of collateral.

12. Illegality. In case any one or more of the provisions contained in this Pledge Agreement should be invalid, illegal or unenforceable in any respect, it shall not affect or impair the validity, legality and enforceability of the remaining provisions in this Pledge Agreement.

13. Changes in Writing. No modification, amendment or waiver of, or consent to any departure by the Pledgors from, any provision of this Pledge Agreement will be effective unless made in a writing signed by the Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Pledgors in any case will entitle the Pledgors to any other or further notice or demand in the same, similar or other circumstance.

14. Entire Agreement. This Pledge Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Pledgors and the Secured Party with respect to the subject matter hereof.

15. Successors and Assigns. This Pledge Agreement will be binding upon and inure to the benefit of the Pledgors and the Secured Party and their respective heirs, executors, administrators, successors and assigns; provided, however, that the Pledgors may not assign this Pledge Agreement in whole or in part without the Secured Party's prior written consent and the Secured Party at any time may assign this Pledge Agreement in whole or in part.

16. Interpretation. In this Pledge Agreement, unless the Secured Party and the Pledgors otherwise agree in writing, the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent such amendments and other modifications are not prohibited by the terms of this Pledge Agreement. Section headings in this Pledge Agreement are included for convenience of reference only and shall not constitute a part of this Pledge Agreement for any other purpose. If this Pledge Agreement is executed by more than one party as Pledgors, the obligations of such persons or entities will be joint and several.

17. Indemnity. The Pledgors agree to indemnify each of the Secured Party, each legal entity, if any, who controls, is controlled by or is under common control with the Secured Party, and each of their respective directors, officers and employees (the **"Indemnified Parties"**), and to hold each Indemnified Party harmless from and against, any and all claims, damages, losses, liabilities and expenses (including all fees and charges of internal or external counsel with whom any Indemnified Party may consult and all expenses of litigation or preparation therefor) which any Indemnified Party may incur, or which may be asserted against any Indemnified Party by any person, entity or governmental authority (including any person or entity claiming derivatively on behalf of the Pledgors), in connection with or arising out of or relating to the matters referred to in this Pledge Agreement or under any Control Agreement, whether (a) arising from or incurred in connection with any breach of a representation, warranty or covenant by the Pledgors, or (b) arising out of or resulting from any suit, action, claim, proceeding or governmental investigation, pending or threatened, whether based on statute, regulation or order, or tort, or contract or otherwise, before any court or governmental authority; provided, however, that the foregoing indemnity agreement shall not apply to claims, damages, losses, liabilities and expenses solely attributable to an Indemnified Party's gross negligence or willful misconduct. The indemnity agreement contained in this Section shall survive the termination of this Pledge Agreement. The Pledgors may participate at its expense in the defense of any such action or claim.

18. Governing Law and Jurisdiction. This Pledge Agreement has been delivered to and accepted by the Secured Party and will be deemed to be made in the State where the Secured Party's office indicated above is located. **THIS PLEDGE AGREEMENT WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PLEDGORS AND THE SECURED PARTY DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE SECURED PARTY'S OFFICE INDICATED ABOVE IS LOCATED, EXCLUDING ITS CONFLICT OF LAWS RULES.**

The Pledgors hereby irrevocably consent to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Secured Party's office indicated above is located; provided that nothing contained in this Pledge Agreement will prevent the Secured Party from bringing any action, enforcing any award or judgment or exercising any rights against the Pledgors individually, against any security or against any property of the Pledgors within any other county, state or other foreign or domestic jurisdiction. The Pledgors acknowledge and agree that the venue provided above is the most convenient forum for both the Secured Party and the Pledgors. The Pledgors waive any objection to venue and any objection based on a more convenient forum in any action instituted under this Pledge Agreement.

19. <u>WAIVER OF JURY TRIAL</u>. THE PLEDGORS IRREVOCABLY WAIVE ANY AND ALL RIGHT THE PLEDGORS MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS PLEDGE AGREEMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS PLEDGE AGREEMENT OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE PLEDGORS ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

The Pledgors acknowledge that they have read and understood all the provisions of this Pledge Agreement, including the waiver of jury trial, and have been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

EPAM SYSTEMS, INC., a Delaware corporation

By: ____________________________

Print Name: ____________________________

Title: ____________________________

EPAM SYSTEMS, LLC, a New Jersey limited liability company

By: ____________________________

Print Name: ____________________________

Title: ____________________________

VESTED DEVELOPMENT, INC., a Delaware corporation

By: ____________________________

Print Name: ____________________________

Title: ____________________________

EXHIBIT A TO PLEDGE AGREEMENT
(UNCERTIFICATED SECURITIES)

The specific assets listed below are pledged as collateral and, to the extent set forth herein, are restricted from trading and withdrawals. Except as otherwise set forth herein, the Secured Party's written approval is required prior to any trading or withdrawals of such assets.

<u>Description of Securities</u>

65% of the issued and outstanding equity interest in each 1st tier foreign subsidiary, including without limitation:

a) EPAM Systems APS (Denmark)

b) EPAM Corp Inform Systems (Belarus)

c) EPAM Systems (Cyprus) Ltd. (Cyprus)

d) EPAM Systems GmbH (Germany)

e) EPAM Systems Nordic AB (Sweden)

f) EPAM Systems GmbH (Switzerland)

g) TOO Plus Micro (Kazakhstan)

h) EPAM Systems (Singapore)

i) EPAM Systems Canada Ltd. (Canada)

100% of the issued and outstanding equity interests in each domestic subsidiary, including without limitation:

a) EPAM Systems, LLC (NJ)

b) Vested Development, Inc. (DE)

EXHIBIT A TO PLEDGE AGREEMENT
(CERTIFICATED SECURITIES)

The specific assets listed below are pledged as collateral and, to the extent set forth herein, are restricted from trading and withdrawals. Except as otherwise set forth herein, the Secured Party's written approval is required prior to any trading or withdrawals of such assets.

<u>Description of Securities</u>

65% of the issued and outstanding equity interest in each 1st tier foreign subsidiary, including without limitation shares in EPAM Systems Ltd. (UK) represented by certificate

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

Entity

EPAM Systems, Inc.
EPAM Systems, LLC
EPAM Systems Ltd.
EPAM Systems (Cyprus) Limited
EPAM Systems ApS
EPAM Systems Kft
EPAM Systems GmbH
EPAM Corporate Information Systems
EPAM Systems
EPAM Solutions, LLC
EPAM Systems
EPAM Solutions (Novaya Vest Moscow), Ltd.
Danika Limited
EPAM Systems Nordic AB
EPAM Systems GmbH
TOO Plus Micro Kazakhstan LP
VDI Yerevan
EPAM Systems SARL
EPAM Systems PTE Ltd.
EPAM Systems
EPAM Systems SRL
Vested Development, Inc.
TOO EPAM Kazakhstan
EPAM Systems Canada, Ltd.
EPAM Systems (Poland) sp. z o.o.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in EPAM Systems, Inc.'s Registration Statement No. 333-179409 on Form S-8 of our report dated March 11, 2013 relating to the audited consolidated financial statements of EPAM Systems, Inc. and subsidiaries, appearing in this Annual Report on Form 10-K of EPAM Systems, Inc. for the year ended December 31, 2012.

/s/ DELOITTE & TOUCHE LLP

Philadelphia, PA
March 11, 2013

EXHIBIT 31.1

Certification by Chief Executive Officer
Pursuant to Securities Exchange Act Rule 13a-14(a)

I, Arkadiy Dobkin, certify that:

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

Date: March 11, 2013

/s/ Arkadiy Dobkin
Arkadiy Dobkin
Chairman, Chief Executive Officer and President
(principal executive officer)

EXHIBIT 31.2

Certification by Chief Financial Officer
Pursuant to Securities Exchange Act Rule 13a-14(a)

I, Ilya Cantor, certify that:

1. I have reviewed this annual report on Form 10-K of EPAM Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2013

/s/ Ilya Cantor

Ilya Cantor
Senior Vice President, Chief Financial Officer and Treasurer
(principal financial officer and principal accounting officer)

EXHIBIT 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of EPAM Systems, Inc. (the “Company”) for the year ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Arkadiy Dobkin, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 11, 2013

/s/ Arkadiy Dobkin
Arkadiy Dobkin
Chairman, Chief Executive Officer and President
(principal executive officer)

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of EPAM Systems, Inc. (the "Company") for the year ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ilya Cantor, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 11, 2013

/s/ Ilya Cantor

Ilya Cantor
Senior Vice President, Chief Financial Officer and Treasurer
(principal financial officer and principal accounting officer)