UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2015

¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ________________ to ________________________

Commission File No. **0-28274**

Sykes Enterprises, Incorporated

(Exact name of Registrant as specified in its charter)

Florida	**56-1383460**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

400 North Ashley Drive, Suite 2800, Tampa, FL 33602

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: (813) 274-1000

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 at least the past 90 days.

Yes x 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 (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

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 accelerated filer , large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ 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 x

As of October 22, 2015, there were 42,760,591 outstanding shares of common stock.

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Sykes Enterprises, Incorporated and Subsidiaries

Form 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Sykes Enterprises, Incorporated and Subsidiaries

Condensed Consolidated Balance Sheets

(Unaudited)

(in thousands, except per share data)	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	**$ 226,688**	$ 215,137
Receivables, net	**279,083**	290,397
Prepaid expenses	**15,302**	14,896
Other current assets	**33,710**	29,656
Total current assets	**554,783**	550,086
Property and equipment, net	**111,040**	109,880
Goodwill, net	**196,912**	193,831
Intangibles, net	**54,903**	60,620
Deferred charges and other assets	**26,977**	30,083
	$ 944,615	$ 944,500
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	**$ 23,148**	$ 25,523
Accrued employee compensation and benefits	**84,452**	82,072
Current deferred income tax liabilities	**217**	144
Income taxes payable	**2,572**	3,662
Deferred revenue	**30,836**	34,245
Other accrued expenses and current liabilities	**24,305**	22,216
Total current liabilities	**165,530**	167,862
Deferred grants	**4,944**	5,110
Long-term debt	**70,000**	75,000
Long-term income tax liabilities	**18,989**	20,630
Other long-term liabilities	**22,394**	17,680
Total liabilities	**281,857**	286,282

Commitments and loss contingency (Note 15)				
Shareholders equity:				
Preferred stock, $0.01 par value per share, 10,000 shares authorized; no shares issued and outstanding		**-**		-
Common stock, $0.01 par value per share, 200,000 shares authorized; 42,761 and 43,291 shares issued, respectively		**428**		433
Additional paid-in capital		**272,703**		279,288
Retained earnings		**438,289**		400,514
Accumulated other comprehensive income (loss)		**(47,040)**		(20,561)
Treasury stock at cost: 139 and 132 shares, respectively		**(1,622)**		(1,456)
Total shareholders equity		**662,758**		658,218
	$	**944,615**	$	944,500

See accompanying Notes to Condensed Consolidated Financial Statements.

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Sykes Enterprises, Incorporated and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

(in thousands, except per share data)	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Revenues	**$ 317,924**	$ 332,671	**$ 949,062**	$ 977,598
Operating expenses:				
Direct salaries and related costs	**206,139**	221,598	**622,209**	664,308
General and administrative	**72,702**	73,868	**218,080**	221,250
Depreciation, net	**10,938**	11,516	**33,004**	34,136
Amortization of intangibles	**3,638**	3,597	**10,504**	10,907
Total operating expenses	**293,417**	310,579	**883,797**	930,601
Income from operations	**24,507**	22,092	**65,265**	46,997
Other income (expense):				
Interest income	**162**	249	**479**	717
Interest (expense)	**(478)**	(464)	**(1,527)**	(1,515)
Other income (expense)	**(871)**	(406)	**(1,867)**	(142)
Total other income (expense)	**(1,187)**	(621)	**(2,915)**	(940)
Income before income taxes	**23,320**	21,471	**62,350**	46,057
Income taxes	**3,310**	4,833	**13,789**	10,769
Net income	**$ 20,010**	$ 16,638	**$ 48,561**	$ 35,288
Net income per common share:				
Basic	**$ 0.48**	$ 0.39	**$ 1.16**	$ 0.83
Diluted	**$ 0.48**	$ 0.39	**$ 1.15**	$ 0.82
Weighted average common shares outstanding:				
Basic	**41,783**	42,704	**41,992**	42,721

Diluted	**42,084**	42,837	**42,337**	42,844

See accompanying Notes to Condensed Consolidated Financial Statements.

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Sykes Enterprises, Incorporated and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(in thousands)	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Net income	**$ 20,010**	$ 16,638	**$ 48,561**	$ 35,288
Other comprehensive income (loss), net of taxes:				
Foreign currency translation gain (loss), net of taxes	**(8,747)**	(20,744)	**(28,813)**	(22,823)
Unrealized gain (loss) on net investment hedges, net of taxes	**115**	2,600	**2,883**	2,705
Unrealized actuarial gain (loss) related to pension liability, net of taxes	**(45)**	(47)	**(73)**	(26)
Unrealized gain (loss) on cash flow hedging instruments, net of taxes	**(1,572)**	(469)	**(504)**	818
Unrealized gain (loss) on postretirement obligation, net of taxes	**(16)**	(2)	**28**	16
Other comprehensive income (loss), net of taxes	**(10,265)**	(18,662)	**(26,479)**	(19,310)
Comprehensive income (loss)	**$ 9,745**	$ (2,024)	**$ 22,082**	$ 15,978

See accompanying Notes to Condensed Consolidated Financial Statements.

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Sykes Enterprises, Incorporated and Subsidiaries

Condensed Consolidated Statements of Changes in Shareholders Equity

Nine Months Ended September 30, 2015

(Unaudited)

(in thousands)	Common Stock Shares Issued	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2014	43,291	$ 433	$ 279,288	$ 400,514	$ (20,561)	$ (1,456)	$ 658,218
Stock-based compensation expense	**-**	**-**	**5,884**	**-**	**-**	**-**	**5,884**
Excess tax benefit (deficiency) from stock-based compensation	**-**	**-**	**209**	**-**	**-**	**-**	**209**
Net vesting (forfeitures) of common stock and restricted stock under equity award plans	**324**	**4**	**(2,758)**	**-**	**-**	**(166)**	**(2,920)**
Repurchase of common stock	**-**	**-**	**-**	**-**	**-**	**(20,715)**	**(20,715)**
Retirement of treasury stock	**(854)**	**(9)**	**(9,920)**	**(10,786)**	**-**	**20,715**	**-**
Comprehensive income (loss)	**-**	**-**	**-**	**48,561**	**(26,479)**	**-**	**22,082**

Balance at September 30, 2015	**42,761**	**$ 428**	**$ 272,703**	**$**	**438,289**	**$ (47,040)**	**$**	**(1,622)**	**$**	**662,758**

See accompanying Notes to Condensed Consolidated Financial Statements.

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Sykes Enterprises, Incorporated and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)	Nine Months Ended September 30, 2015	2014
Cash flows from operating activities:		
Net income	**$ 48,561**	$ 35,288
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**33,593**	34,832
Amortization of intangibles	**10,504**	10,907
Amortization of deferred grants	**(700)**	(1,082)
Unrealized foreign currency transaction (gains) losses, net	**670**	(1,257)
Stock-based compensation expense	**5,884**	4,429
Excess tax (benefit) from stock-based compensation	**(209)**	-
Deferred income tax provision (benefit)	**292**	2,224
Net (gain) loss on disposal of property and equipment	**160**	195
Bad debt expense (reversals)	**(74)**	(490)
Unrealized (gains) losses on financial instruments, net	**(813)**	2,416
Amortization of deferred loan fees	**336**	194
Net (gain) on insurance settlement	**(919)**	-
Proceeds from business interruption insurance settlement	**156**	-
Other	**(11)**	(546)
Changes in assets and liabilities, net of acquisition:		
Receivables	**766**	(24,651)
Prepaid expenses	**(907)**	(2,276)
Other current assets	**(4,972)**	(7,291)
Deferred charges and other assets	**1,754**	7,654
Accounts payable	**(982)**	3,191
Income taxes receivable / payable	**(1,638)**	(115)
Accrued employee compensation and benefits	**5,102**	6,136
Other accrued expenses and current liabilities	**1,342**	(3,438)
Deferred revenue	**(670)**	2,931
Other long-term liabilities	**(2,312)**	(2,561)
Net cash provided by operating activities	**94,913**	66,690
Cash flows from investing activities:		
Capital expenditures	**(36,316)**	(35,669)
Cash paid for business acquisition, net of cash acquired	**(9,370)**	-

Proceeds from sale of property and equipment	**117**	83
Investment in restricted cash	**(38)**	(3)
Release of restricted cash	**-**	168
Proceeds from property and equipment insurance settlement	**1,490**	-
Net cash (used for) investing activities	**(44,117)**	(35,421)

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Sykes Enterprises, Incorporated and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(Continued)

(in thousands)	Nine Months Ended September 30, 2015	2014
Cash flows from financing activities:		
Payments of long-term debt	**(10,000)**	(19,000)
Proceeds from issuance of long-term debt	**5,000**	-
Excess tax benefit from stock-based compensation	**209**	-
Cash paid for repurchase of common stock	**(20,715)**	(5,350)
Proceeds from grants	**554**	181
Payments of short-term debt	**(323)**	-
Shares repurchased for minimum tax withholding on equity awards	**(2,920)**	(421)
Cash paid for loan fees related to long-term debt	**(962)**	-
Net cash (used for) financing activities	**(29,157)**	(24,590)
Effects of exchange rates on cash and cash equivalents	**(10,088)**	(9,055)
Net increase (decrease) in cash and cash equivalents	**11,551**	(2,376)
Cash and cash equivalents beginning	**215,137**	211,985
Cash and cash equivalents ending	**$ 226,688**	$ 209,609
Supplemental disclosures of cash flow information:		
Cash paid during period for interest	**$ 1,097**	$ 1,323
Cash paid during period for income taxes	**$ 20,760**	$ 12,439
Non-cash transactions:		
Property and equipment additions in accounts payable	**$ 5,140**	$ 2,768
Unrealized gain (loss) on postretirement obligation in accumulated other comprehensive income (loss)	**$ 28**	$ 16
Shares repurchased for minimum tax withholding on common stock and restricted stock under equity awards included in accounts payable	**$ 95**	$ -

See accompanying Notes to Condensed Consolidated Financial Statements.

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Sykes Enterprises, Incorporated and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Nine Months Ended September 30, 2015 and 2014

(Unaudited)

Note 1. Overview and Basis of Presentation

Business Sykes Enterprises, Incorporated and consolidated subsidiaries (SYKES or the Company) provides comprehensive outsourced customer contact management solutions and services in the business process outsourcing arena to companies, primarily within the communications, financial services, technology/consumer, transportation and leisure, and healthcare industries. SYKES provides flexible, high-quality outsourced customer contact management services (with an emphasis on inbound technical support and customer service), which includes customer assistance, healthcare and roadside assistance, technical support and product sales to its clients customers. Utilizing SYKES integrated onshore/offshore global delivery model, SYKES provides its services through multiple communication channels encompassing phone, e-mail, social media, text messaging and chat. SYKES complements its outsourced customer contact management services with various enterprise support services in the United States that encompass services for a company s internal support operations, from technical staffing services to outsourced corporate help desk services. In Europe, SYKES also provides digital customer support and fulfillment services, which includes order processing, payment processing, inventory control, product delivery and product returns handling. The Company has operations in two reportable segments entitled (1) the Americas, which includes the United States, Canada, Latin America, Australia and the Asia Pacific Rim, in which the client base is primarily companies in the United States that are using the Company s services to support their customer management needs; and (2) EMEA, which includes Europe, the Middle East and Africa.

Acquisition On July 2, 2015, the Company completed the acquisition of Qelp B.V. and its subsidiary (together, known as Qelp), pursuant to definitive Share Sale and Purchase Agreement, dated July 2, 2015. The Company has reflected the operating results in the Condensed Consolidated Statements of Operations since July 2, 2015. See Note 2, Acquisition of Qelp, for additional information on the acquisition.

Basis of Presentation The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles or U.S. GAAP) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for any future quarters or the year ending December 31, 2015. For further information, refer to the consolidated financial statements and notes thereto, included in the Company s Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission (SEC) on February 19, 2015.

Principles of Consolidation The condensed consolidated financial statements include the accounts of SYKES and its wholly-owned subsidiaries and controlled majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events Subsequent events or transactions have been evaluated through the date and time of issuance of the condensed consolidated financial statements. There were no material subsequent events that required recognition or disclosure in the accompanying condensed consolidated financial statements.

Goodwill The Company accounts for goodwill and other intangible assets under Accounting Standards Codification (ASC) 350 *Intangibles Goodwill and Other* (ASC 350). The Company expects to receive future benefits from previously acquired goodwill over an indefinite period of time. For goodwill and other intangible assets with indefinite lives not subject to amortization, the Company reviews goodwill and intangible

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assets for impairment at least annually in the third quarter, and more frequently in the presence of certain circumstances. The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if the Company concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the Company is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any.

New Accounting Standards Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). The amendments in ASU 2014-09 outline a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and indicate that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, an entity should identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) Deferral of the Effective Date* (ASU 2015-14). The amendments in ASU 2015-14 defer the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. An entity should apply the amendments using either the full retrospective approach or retrospectively with a cumulative effect of initially applying the amendments recognized at the date of initial application. The Company is currently evaluating the methods of adoption and the impact that the adoption of ASU 2014-09 may have on its financial condition, results of operations and cash flows.

In June 2014, the FASB issued ASU 2014-12, *Compensation Stock Compensation (Topic 718) Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* (ASU 2014-12). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Accounting Standards Codification (ASC) Topic 718, *Compensation Stock Compensation* (ASC 718), as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015; early adoption is permitted. Entities may apply the amendments either (1) prospective to all awards granted or modified after the effective date or (2) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The Company does not expect the adoption of ASU 2014-12 on January 1, 2016 to materially impact its financial condition, results of operations and cash flows.

In January 2015, the FASB issued ASU 2015-01, *Income Statement Extraordinary and Unusual Items (Subtopic 225-20) Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items* (ASU

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2015-01). This amendment eliminates from U.S. GAAP the concept of extraordinary items as part of the FASB s initiative to reduce complexity in accounting standards. These amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015; early adoption is permitted. Entities may apply the amendments either prospectively or retrospectively to all prior periods presented in the financial statements. The Company does not expect the adoption of ASU 2015-01 on January 1, 2016 to materially impact its financial condition, results of operations and cash flows.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810) Amendments to the Consolidation Analysis*) (ASU 2015-02). These amendments are intended to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability corporations and securitization structures. These amendments affect the consolidation evaluation for reporting organizations. In addition, the amendments simplify and improve current U.S. GAAP by reducing the number of consolidation models. The amendments are effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015; early adoption is permitted. Entities may apply the amendments using either a modified retrospective approach or retrospectively. The Company does not expect the adoption of ASU 2015-02 on January 1, 2016 to materially impact its financial condition, results of operations and cash flows.

In April 2015, the FASB issued ASU 2015-03, *Interest Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). These amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. These amendments are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Entities should apply the amendments retrospectively. The Company does not expect the adoption of ASU 2015-03 on January 1, 2016 to materially impact its financial condition, results of operations and cash flows.

In April 2015, the FASB issued ASU 2015-05, *Intangibles Goodwill and Other Internal-Use Software (Subtopic 350-40) Customer s Accounting for Fees Paid in a Cloud Computing Arrangement* (ASU 2015-05). These amendments provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new guidance does not change the accounting for a customer s accounting for service contracts. These amendments are effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015; early adoption is permitted. Entities can adopt the amendments either (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. The Company does not expect the adoption of ASU 2015-05 on January 1, 2016 to materially impact its financial condition, results of operations and cash flows.

In September 2015, the FASB issued ASC 2015-16, *Business Combinations (Topic 805) Simplifying the Accounting for Measurement-Period Adjustments* (ASU 2015-16). These amendments eliminate the requirement for an acquirer to retrospectively adjust provisional amounts recorded in a business combination to reflect new information about the facts and circumstances that existed as of the acquisition date and that, if known, would have affected measurement or recognition of amounts initially recognized. As an alternative, the amendment requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the financial statements of the period in which adjustments to provisional amounts are determined, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. These amendments are effective prospectively for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years, with early adoption permitted. The Company does not expect the adoption of ASU 2015-16 on January 1, 2016 to materially impact its financial condition, results of operations and cash flows.

New Accounting Standards Recently Adopted

In April 2014, the FASB issued ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (ASU 2014-08). The amendments in ASU 2014-08 indicate that only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity s operations and financial results will be reported as discontinued operations in the financial statements. Currently, a component of

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an entity that is a reportable segment, an operating segment, a reporting unit, a subsidiary, or an asset group is eligible for discontinued operations presentation. The amendments will be applied to all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The adoption of ASU 2014-08 on January 1, 2015 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

In August 2015, the FASB issued ASU 2015-15, *Interest Imputation of Interest (Subtopic 835-30) Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements,* (ASU 2015-15). These amendments provide additional guidance to ASU 2015-03, which did not address presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. ASU 2015-15 noted that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The adoption of ASU 2015-15 on August 18, 2015 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

Note 2. Acquisition of Qelp

On July 2, 2015, the Company s wholly-owned subsidiaries, Sykes Enterprises Incorporated B.V. and Sykes Enterprises Incorporated Holdings B.V., both Netherlands companies, entered into a definitive Share Sale and Purchase Agreement (the Purchase Agreement) with MobileTimes B.V., Yarra B.V., From The Mountain Consultancy B.V. and Sticting Administratiekantoor Qelp (the Sellers), all of which are Netherlands companies, to acquire all of the outstanding shares of Qelp B.V. and its wholly owned subsidiary (together, known as Qelp .) The strategic acquisition of Qelp (the Qelp acquisition) was to further broaden and strengthen the Company s service portfolio around digital customer support and extend its reach into adjacent, but complementary, markets. Pursuant to Federal income tax regulations, no amount of intangibles or goodwill from this acquisition will be deductible for tax purposes. The results of Qelp s operations have been included in the Company s consolidated financial statements since its acquisition on July 2, 2015 (the acquisition date).

The consideration consists of an initial purchase price and a contingent purchase price. The initial purchase price of $9.8 million, including certain post-closing adjustments relating to Qelp s working capital, was funded through cash on hand upon the closing of the transaction on July 2, 2015. Approximately $0.9 million of the initial purchase price has been placed in an escrow account as security for the indemnification obligations of the Sellers under the Purchase Agreement. The contingent purchase price to be paid over a three year period is based on achieving targets tied to revenues and earnings before interest, income taxes, depreciation and amortization (EBITDA) for the years ended December 31, 2016, 2017 and 2018, not to exceed EUR 10.0 million.

As of the acquisition date, the total consideration paid or to be paid by the Company for the Qelp acquisition is summarized below (in thousands):

		Total
Cash	$	9,885
Contingent consideration		6,000
Working capital adjustment		(65)
	$	15,820

The fair value of the contingent consideration was estimated using the discounted cash flow method, and was included in Other long-term liabilities in the accompanying Condensed Consolidated Balance Sheet (see Note 4, Fair Value, for further information). As part of the discounted cash flow method, the Company calculated an adjusted weighted average cost of capital (WACC) specifically attributable to the future payments of the contingent consideration. Based on the forecasted revenue and profitability scenarios and their respective probabilities of occurrence, the Company estimated the present value of the probability-adjusted future payments utilizing an adjusted WACC for the potential future payments. The Company believes that its estimates and assumptions are reasonable, but there is significant judgment involved. Changes in the fair value of the contingent consideration liabilities subsequent to the acquisition will be recorded in the Company s Consolidated Statements of Operations.

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The Company accounted for the Qelp acquisition in accordance with ASC 805 (ASC 805) *Business Combinations,* whereby the fair value of the purchase price was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed from Qelp based on their estimated fair values as of the closing date. Certain amounts are provisional and are subject to change, including accrued employment tax and other liabilities, tax analysis of the assets acquired and liabilities assumed, and goodwill. The Company expects to complete its analysis of the purchase price allocation during the fourth quarter of 2015.

The following table summarizes the estimated acquisition date fair values of the assets acquired and liabilities assumed, all included in the EMEA segment (in thousands):

		Amount
Cash and cash equivalents	$	450
Receivables [1]		1,541
Prepaid expenses		24
Total current assets		2,015
Property and equipment		2,168
Goodwill		9,574
Intangibles		6,000
Deferred charges and other assets		55
Short-term debt		(323)
Accrued employee compensation and benefits		(207)
Income taxes payable		(62)
Deferred revenue		(967)
Other accrued expenses and current liabilities		(1,030)
Total current liabilities		(2,589)
Other long-term liabilities [2]		(1,403)
	$	15,820

[1] The fair value equals the gross contractual value of the receivables.

[2] Primarily includes long-term deferred tax liabilities.

Fair values are based on management s estimates and assumptions including variations of the income approach, the cost approach and the market approach.

The following table presents the Company s purchased intangibles assets as of July 2, 2015, the acquisition date (in thousands):

	Amount Assigned	**Weighted Average Amortization Period**

			(years)
Customer relationships	$	5,400	7
Trade name and trademarks		100	3
Content library		500	2
	$	6,000	7

The amount of Qelp s revenues and net (loss) since the July 2, 2015 acquisition date, included in the Company s Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2015 were as follows (in thousands):

		From July 2, 2015 Through September 30, 2015
Revenues	$	1,158
Net (loss)	$	(362)

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Merger and integration costs associated with Qelp included in General and administrative costs in the accompanying Condensed Consolidated Statement of Operations in the Other segment for the three and nine months ended September 30, 2015 were as follows (none in the comparable periods in 2014) (in thousands):

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Transaction costs	**$ 77**	**$ 455**

Note 3. Costs Associated with Exit or Disposal Activities

During 2011 and 2010, the Company announced several initiatives to streamline excess capacity through targeted seat reductions (the Exit Plans) in an on-going effort to manage and optimize capacity utilization. These Exit Plans included, but were not limited to, closing customer contact management centers in The Philippines, the United Kingdom, Ireland and South Africa and consolidating leased space in various locations in the U.S. and the Netherlands. These Exit Plans impacted approximately 800 employees. The Company has paid $15.1 million in cash through September 30, 2015 under these Exit Plans.

The cumulative costs expected and incurred as a result of the Exit Plans were as follows as of September 30, 2015 (in thousands):

	Americas Fourth Quarter 2011 Exit Plan	EMEA Fourth Quarter 2011 Exit Plan	EMEA Fourth Quarter 2010 Exit Plan	Americas Third Quarter 2010 Exit Plan	Total
Lease obligations and facility exit costs	$ 1,365	$ 19	$ 1,914	$ 6,729	$ 10,027
Severance and related costs	-	5,857	185	-	6,042
Legal-related costs	-	110	-	-	110
Non-cash impairment charges	480	474	159	3,847	4,960
Total	$ 1,845	$ 6,460	$ 2,258	$ 10,576	$ 21,139

The following table summarizes the accrued liability associated with the Exit Plans exit or disposal activities and related charges for the three and nine months ended September 30, 2015 and 2014 (in thousands):

	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Beginning accrual	**$ 1,150**	$ 2,111	**$ 1,558**	$ 2,974
Lease obligations and facility exit costs [1]	**-**	-	**-**	(185)
Severance and related costs [1]	**-**	(129)	**-**	(129)
Legal-related costs	**-**	-	**-**	-
Cash payments [2]	**(209)**	(192)	**(617)**	(865)
Other non-cash changes [3]	**-**	(2)	**-**	(7)

Ending accrual	**$**	**941**	$	1,788	**$**	**941**	$	1,788

[1] During 2014, the Company reversed accruals related to the final settlement of lease obligations and facility exit costs as well as severance and related costs for the Ireland sites, included in the EMEA segment, which reduced General and administrative costs in the accompanying Condensed Consolidated Statements of Operations.

[2] Related to lease obligations and facility exit costs.

[3] Effect of foreign currency translation.

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Restructuring Liability Classification

The following table summarizes the Company s short-term and long-term accrued liabilities associated with its exit and disposal activities, by plan, as of September 30, 2015 and December 31, 2014 (in thousands):

	Americas Fourth Quarter 2011 Exit Plan	Americas Third Quarter 2010 Exit Plan	Total
September 30, 2015			
Short-term accrued restructuring liability (1)	**$ 140**	**$ 486**	**$ 626**
Long-term accrued restructuring liability (2)	**70**	**245**	**315**
Ending accrual at September 30, 2015	**$ 210**	**$ 731**	**$ 941**
December 31, 2014			
Short-term accrued restructuring liability (1)	$ 109	$ 521	$ 630
Long-term accrued restructuring liability (2)	203	725	928
Ending accrual at December 31, 2014	$ 312	$ 1,246	$ 1,558

(1) Included in Other accrued expenses and current liabilities in the accompanying Condensed Consolidated Balance Sheets.

(2) Included in Other long-term liabilities in the accompanying Condensed Consolidated Balance Sheets.

The remaining restructuring liability relates to future rent obligations to be paid through the remainder of the lease terms, the last of which ends in February 2017. The EMEA Fourth Quarter 2011 and EMEA Fourth Quarter 2010 Exit Plans were settled during 2014.

Note 4. Fair Value

ASC 820 *Fair Value Measurements and Disclosures* (ASC 820) requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company s market assumptions. This hierarchy requires the use of observable market data when available. These two types of inputs have created the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Fair Value of Financial Instruments The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash, short-term and other investments, investments held in rabbi trust and accounts payable The carrying values for cash, short-term and other investments, investments held in rabbi trust and accounts payable approximate their fair values.

Foreign currency forward contracts and options Foreign currency forward contracts and options, including premiums paid on options, are recognized at fair value based on quoted market prices of comparable instruments or, if none are available, on pricing models or formulas using current market and model assumptions, including adjustments for credit risk.

Long-term debt The carrying value of long-term debt approximates its estimated fair value as it re-prices at varying interest rates.

Contingent consideration The contingent consideration is recognized at fair value based on the discounted cash flow method.

Fair Value Measurements ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820-10-20 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

ASC 825 *Financial Instruments* (ASC 825) permits an entity to measure certain financial assets and financial liabilities at fair value with changes in fair value recognized in earnings each period. The Company has not elected to use the fair value option permitted under ASC 825 for any of its financial assets and financial liabilities that are not already recorded at fair value.

Determination of Fair Value The Company generally uses quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access to determine fair value, and classifies such items in Level 1. Fair values determined by Level 2 inputs utilize inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted market prices in active markets for similar assets or liabilities, and inputs other than quoted market prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, etc. Assets or liabilities valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

The following section describes the valuation methodologies used by the Company to measure assets and liabilities at fair value on a recurring basis, including an indication of the level in the fair value hierarchy in which each asset or liability is generally classified.

Money Market and Open-End Mutual Funds The Company uses quoted market prices in active markets to determine the fair value. These items are classified in Level 1 of the fair value hierarchy.

Foreign Currency Forward Contracts and Options The Company enters into foreign currency forward contracts and options over the counter and values such contracts using quoted market prices of comparable instruments or, if none are available, on pricing models or formulas using current market and model assumptions, including adjustments for credit risk. The key inputs include forward or option foreign currency exchange rates and interest rates. These items are classified in Level 2 of the fair value hierarchy.

Investments Held in Rabbi Trust The investment assets of the rabbi trust are valued using quoted market prices in active markets, which are classified in Level 1 of the fair value hierarchy. For additional information about the deferred compensation plan, refer to Note 7, Investments Held in Rabbi Trust, and Note 17, Stock-Based Compensation.

Guaranteed Investment Certificates Guaranteed investment certificates, with variable interest rates linked to the prime rate, approximate fair value due to the automatic ability to re-price with changes in the market; such items are classified in Level 2 of the fair value hierarchy.

Contingent Consideration The Company uses significant unobservable inputs to determine the fair value of contingent consideration, which is classified in Level 3 of the fair value hierarchy. The contingent consideration was recognized at fair value using a discounted cash flow methodology and a discount rate of 14.0%. The discount rate is dependent on the specific risks of the acquisition including the country of operation, the nature of services and complexity of the acquired business, and other similar factors. All of which are significant inputs not observable in the market. Significant increases or decreases in any of the inputs in isolation would result in a significantly higher or lower fair value measurement.

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The Company s assets and liabilities measured at fair value on a recurring basis subject to the requirements of ASC 820 consist of the following (in thousands):

		Balance at September 30, 2015	Fair Value Measurements at September 30, 2015 Using: Quoted Prices in Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Assets:					
Foreign currency forward and option contracts included in Other current assets	(1)	**$ 9,675**	$ -	$ 9,675	$ -
Equity investments held in a rabbi trust for the Deferred Compensation Plan	(2)	**5,810**	5,810	-	-
Debt investments held in a rabbi trust for the Deferred Compensation Plan	(2)	**1,590**	1,590	-	-
Guaranteed investment certificates	(3)	**86**	-	86	-
		$ 17,161	**$ 7,400**	**$ 9,761**	**$ -**
Liabilities:					
Long-term debt	(4)	**$ 70,000**	$ -	$ 70,000	$ -
Foreign currency forward and option contracts included in Other accrued expenses and current liabilities	(1)	**949**	-	949	-
Contingent consideration included in Other long-term liabilities	(5)	**6,048**	-	-	6,048
		$ 76,997	**$ -**	**$ 70,949**	**$ 6,048**

		Balance at December 31, 2014	Fair Value Measurements at December 31, 2014 Using: Quoted Prices in Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Assets:					
Money market funds and open-end mutual funds included in Cash and cash equivalents	(5)	$ 100,915	$ 100,915	$ -	$ -
Money market funds and open-end mutual funds included in Deferred charges and other	(5)	10	10	-	-

assets									
Foreign currency forward and option contracts included in Other current assets	(1)		1,489		-		1,489		-
Foreign currency forward contracts included in Deferred charges and other assets	(1)		4,060		-		4,060		-
Equity investments held in a rabbi trust for the Deferred Compensation Plan	(2)		5,589		5,589		-		-
Debt investments held in a rabbi trust for the Deferred Compensation Plan	(2)		1,363		1,363		-		-
Guaranteed investment certificates	(3)		79		-		79		-
		$	113,505	$	107,877	$	5,628	$	-
Liabilities:									
Long-term debt	(4)	$	75,000	$	-	$	75,000	$	-
Foreign currency forward and option contracts included in Other accrued expenses and current liabilities	(1)		1,261		-		1,261		-
		$	76,261	$	-	$	76,261	$	-

(1) In the accompanying Condensed Consolidated Balance Sheets. See Note 6, Financial Derivatives.

(2) Included in Other current assets in the accompanying Condensed Consolidated Balance Sheets. See Note 7, Investments Held in Rabbi Trust.

(3) Included in Deferred charges and other assets in the accompanying Condensed Consolidated Balance Sheets.

(4) The carrying value of long-term debt approximates its estimated fair value as it re-prices at varying interest rates. See Note 11, Borrowings.

(5) In the accompanying Condensed Consolidated Balance Sheets.

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

		Fair Value
Balance at December 31, 2014	$	-
Acquisition		6,000
Payments		-
Imputed interest/adjustments		-
Effect of foreign currency		48
Balance at September 30, 2015	**$**	**6,048**

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The Company did not record any fair value adjustments to the contingent consideration as the key assumptions used to calculate the fair value at the acquisition date remained consistent at September 30, 2015. Should the assumptions regarding probability of achievement of certain revenue and EBITDA targets change in future periods, the change in fair value of the contingent consideration will be recognized in the accompanying Condensed Consolidated Statements of Operations. The Company will accrete interest expense each period using the effective interest method until the contingent consideration reaches the estimated future value of $9.1 million. Interest expense related to the contingent consideration is included in Interest (expense) in the accompanying Condensed Consolidated Statements of Operations.

Certain assets, under certain conditions, are measured at fair value on a nonrecurring basis utilizing Level 3 inputs, like those associated with acquired businesses, including goodwill, other intangible assets and other long-lived assets. For these assets, measurement at fair value in periods subsequent to their initial recognition would be applicable if these assets were determined to be impaired. The adjusted carrying values for assets measured at fair value on a nonrecurring basis (no liabilities) subject to the requirements of ASC 820 were not material at September 30, 2015 and December 31, 2014.

Note 5. Goodwill and Intangible Assets

Intangible Assets

The following table presents the Company s purchased intangible assets as of September 30, 2015 (in thousands):

	Gross Intangibles	Accumulated Amortization	Net Intangibles	Weighted Average Amortization Period (years)
Customer relationships	**$ 103,294**	**$ (55,414)**	**$ 47,880**	8
Trade names and trademarks	**11,701**	**(5,132)**	**6,569**	8
Non-compete agreements	**1,193**	**(1,193)**	**-**	2
Proprietary software	**850**	**(850)**	**-**	2
Favorable lease agreement	**449**	**(449)**	**-**	2
Content library	**504**	**(50)**	**454**	2
	$ 117,991	**$ (63,088)**	**$ 54,903**	8

The following table presents the Company s purchased intangible assets as of December 31, 2014 (in thousands):

	Gross Intangibles	Accumulated Amortization	Net Intangibles	Weighted Average Amortization Period (years)
Customer relationships	$ 100,719	$ (47,571)	$ 53,148	8

Trade names and trademarks		11,600		(4,128)		7,472	8
Non-compete agreements		1,209		(1,209)		-	2
Proprietary software		850		(850)		-	2
Favorable lease agreement		449		(449)		-	2
	$	114,827	$	(54,207)	$	60,620	8

The Company s estimated future amortization expense for the succeeding years relating to the purchased intangible assets resulting from acquisitions completed prior to September 30, 2015, is as follows (in thousands):

Years Ending December 31,		**Amount**
2015 (remaining three months)	$	3,557
2016		14,587
2017		14,461
2018		8,242
2019		7,644
2020		5,138
2021 and thereafter		1,274

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Goodwill

Changes in goodwill consist of the following (in thousands):

	January 1, 2015	Acquisition [1]	Effect of Foreign Currency	September 30, 2015
Americas	$ 193,831	$ -	$ (6,390)	**$ 187,441**
EMEA	-	9,574	(103)	**9,471**
	$ 193,831	$ 9,574	$ (6,493)	**$ 196,912**

[1] See Note 2, Acquisition of Qelp, for further information.

The Company has five reporting units with goodwill and performs its annual goodwill impairment test during the third quarter, or more frequently, if indicators of impairment exist.

For the annual goodwill impairment test, the Company elected to forgo the option to first assess qualitative factors and performed its annual two-step goodwill impairment test as of July 31, 2015. Under ASC 350, the carrying value of assets is calculated at the reporting unit level. The quantitative assessment of goodwill includes comparing a reporting unit s calculated fair value to its carrying value. The calculation of fair value requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth, the useful life over which cash flows will occur and determination of the Company s weighted average cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and/or conclusions on goodwill impairment for each reporting unit. If the fair value of the reporting unit is less than its carrying value, goodwill is considered impaired and an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value.

The process of evaluating the fair value of the reporting units is highly subjective and requires significant judgment and estimates as the reporting units operate in a number of markets and geographical regions. The Company used an average of the income and market approaches to determine its best estimates of fair value which incorporated the following significant assumptions:

- Revenue projections, including revenue growth during the forecast periods;
- EBITDA margin projections over the forecast periods;
- Estimated income tax rates;
- Estimated capital expenditures; and
- Discount rates based on various inputs, including the risks associated with the specific reporting units as well as their revenue growth and EBITDA margin assumptions.

As of July 31, 2015, the Company concluded that goodwill was not impaired for all five of the reporting units. While the fair values of four of the reporting units were substantially in excess of their carrying value, the Qelp reporting unit s fair value approximated its carrying value due to the proximity to the acquisition date of July 2, 2015. The newly acquired Qelp reporting unit s carrying value was $15.6 million at July 31, 2015, including $9.4 million of goodwill. The estimate of fair value was based on generally accepted valuation techniques and the significant assumptions outlined above.

Note 6. Financial Derivatives

Cash Flow Hedges The Company has derivative assets and liabilities relating to outstanding forward contracts and options, designated as cash flow hedges, as defined under ASC 815 *Derivatives and Hedging* (ASC 815), consisting of Philippine Peso, Costa Rican Colon, Hungarian Forint and Romanian Leu contracts. These contracts are entered into to protect against the risk that the eventual cash flows resulting from such transactions will be adversely affected by changes in exchange rates.

The deferred gains (losses) and related taxes on the Company s cash flow hedges recorded in Accumulated other comprehensive income (loss) (AOCI) in the accompanying Condensed Consolidated Balance Sheets are as follows (in thousands):

	September 30, 2015	December 31, 2014
Deferred gains (losses) in AOCI	**$ (680)**	$ (157)
Tax on deferred gains (losses) in AOCI	**65**	46
Deferred gains (losses) in AOCI, net of taxes	**$ (615)**	$ (111)
Deferred gains (losses) expected to be reclassified to Revenues from AOCI during the next twelve months	**$ (680)**	

Deferred gains (losses) and other future reclassifications from AOCI will fluctuate with movements in the underlying market price of the forward contracts and options.

Net Investment Hedge During the nine months ended September 30, 2015 and 2014, the Company entered into foreign exchange forward contracts to hedge its net investment in a foreign operation, as defined under ASC 815. The purpose of these derivative instruments is to protect the Company s interests against the risk that the net assets of certain foreign subsidiaries will be adversely affected by changes in exchange rates and economic exposures related to the Company s foreign currency-based investments in these subsidiaries.

Non-Designated Hedges The Company also periodically enters into foreign currency hedge contracts that are not designated as hedges as defined under ASC 815. The purpose of these derivative instruments is to protect the Company s interests against adverse foreign currency moves relating primarily to intercompany receivables and payables, and other assets and liabilities that are denominated in currencies other than the Company s subsidiaries functional currencies. These contracts generally do not exceed 180 days in duration.

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The Company had the following outstanding foreign currency forward contracts and options (in thousands):

	As of September 30, 2015		As of December 31, 2014	
Contract Type	**Notional Amount in USD**	**Settle Through Date**	**Notional Amount in USD**	**Settle Through Date**
Cash flow hedges: [1]				
Options:				
Philippine Pesos	**$ 79,000**	**September 2016**	$ 73,000	December 2015
Forwards:				
Philippine Pesos	**500**	**October 2015**	9,000	March 2015
Costa Rican Colones	**46,300**	**August 2016**	51,600	October 2015
Hungarian Forints	**686**	**December 2015**	-	-
Romanian Leis	**2,664**	**December 2015**	10,414	December 2015
Net investment hedges: [2]				
Forwards:				
Euros	**63,470**	**March 2016**	51,648	March 2016
Non-designated hedges: [3]				
Forwards	**51,192**	**December 2015**	64,541	March 2015

(1) Cash flow hedge as defined under ASC 815. Purpose is to protect against the risk that eventual cash flows resulting from such transactions will be adversely affected by changes in exchange rates.

(2) Net investment hedge as defined under ASC 815. Purpose is to protect against the risk that the net assets of certain of our international subsidiaries will be adversely affected by changes in exchange rates and economic exposures related to our foreign currency-based investments in these subsidiaries.

(3) Foreign currency hedge contract not designated as a hedge as defined under ASC 815. Purpose is to reduce the effects on the Company s operating results and cash flows from fluctuations caused by volatility in currency exchange rates, primarily related to intercompany receivables and payables, and cash held in non-functional currencies.

Master netting agreements exist with each respective counterparty to reduce credit risk by permitting net settlement of derivative positions. In the event of default by the Company or one of its counterparties, these agreements include a set-off clause that provides the non-defaulting party the right to net settle all derivative transactions, regardless of the currency and settlement date. The maximum amount of loss due to credit risk that, based on gross fair value, the Company would incur if parties to the derivative transactions that make up the concentration failed to perform according to the terms of the contracts was $9.7 million and $5.5 million as of September 30, 2015 and December 31, 2014, respectively. After consideration of these netting arrangements and offsetting positions by counterparty, the total net settlement amount as it relates to these positions are asset positions of $9.2 million and $4.4 million as of September 30, 2015 and December 31, 2014, respectively, and liability positions of $0.5 million and $0.1 million as of September 30, 2015 and December 31, 2014, respectively.

Although legally enforceable master netting arrangements exist between the Company and each counterparty, the Company has elected to present the derivative assets and derivative liabilities on a gross basis in the accompanying Condensed Consolidated Balance Sheets. Additionally, the Company is not required to pledge, nor is it entitled to receive, cash collateral related to these derivative transactions.

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The following tables present the fair value of the Company s derivative instruments included in the accompanying Condensed Consolidated Balance Sheets (in thousands):

	Derivative Assets	
	September 30, 2015	December 31, 2014
	Fair Value	Fair Value
Derivatives designated as cash flow hedging instruments under ASC 815:		
Foreign currency forward and option contracts (1)	**$ 904**	$ 974
Derivatives designated as net investment hedging instruments under ASC 815:		
Foreign currency forward contracts (1)	**8,545**	-
Foreign currency forward contracts (2)	**-**	4,060
	9,449	5,034
Derivatives not designated as hedging instruments under ASC 815:		
Foreign currency forward contracts (1)	**226**	515
Total derivative assets	**$ 9,675**	$ 5,549

	Derivative Liabilities	
	September 30, 2015	December 31, 2014
	Fair Value	Fair Value
Derivatives designated as cash flow hedging instruments under ASC 815:		
Foreign currency forward and option contracts (3)	**$ 813**	$ 406
Derivatives not designated as hedging instruments under ASC 815:		
Foreign currency forward contracts (3)	**136**	855
Total derivative liabilities	**$ 949**	$ 1,261

(1) Included in Other current assets in the accompanying Condensed Consolidated Balance Sheets.

(2)

Included in Deferred charges and other assets in the accompanying Condensed Consolidated Balance Sheets.

(3) Included in Other accrued expenses and current liabilities in the accompanying Condensed Consolidated Balance Sheets.

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The following tables present the effect of the Company s derivative instruments included in the accompanying Condensed Consolidated Financial Statements for the three months ended September 30, 2015 and 2014 (in thousands):

	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) September 30, 2015	2014	Gain (Loss) Reclassified From Accumulated AOCI Into Revenues (Effective Portion) September 30, 2015	2014	Gain (Loss) Recognized in Revenues on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) September 30, 2015	2014
Derivatives designated as cash flow hedging instruments under ASC 815:						
Foreign currency forward and option contracts	**$ (1,090)**	$ (1,280)	**$ 553**	$ (652)	**$ 11**	$ (1)
Derivatives designated as net investment hedging instruments under ASC 815:						
Foreign currency forward contracts	**(25)**	3,999	**-**	-	**-**	-
	$ (1,115)	$ 2,719	**$ 553**	$ (652)	**$ 11**	$ (1)

	Statement of Operations Location	Gain (Loss) Recognized on Derivatives September 30, 2015	2014
Derivatives not designated as hedging instruments under ASC 815:			
Foreign currency forward contracts	Other income and (expense)	**$ 1,727**	$ (386)
Foreign currency forward contracts	Revenues	**(8)**	-
		$ 1,719	$ (386)

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The following tables present the effect of the Company s derivative instruments included in the accompanying Condensed Consolidated Financial Statements for the nine months ended September 30, 2015 and 2014 (in thousands):

	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) September 30,		Gain (Loss) Reclassified From Accumulated AOCI Into Revenues (Effective Portion) September 30,		Gain (Loss) Recognized in Revenues on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) September 30,	
	2015	2014	2015	2014	2015	2014
Derivatives designated as cash flow hedging instruments under ASC 815:						
Foreign currency forward and option contracts	**$ 1,322**	$ (3,823)	**$ 1,881**	$ (4,781)	**$ 13**	$ (5)
Derivatives designated as net investment hedging instruments under ASC 815:						
Foreign currency forward contracts	**4,485**	4,161	**-**	-	**-**	-
	$ 5,807	$ 338	**$ 1,881**	$ (4,781)	**$ 13**	$ (5)

	Statement of Operations Location	Gain (Loss) Recognized on Derivatives September 30,	
		2015	2014
Derivatives not designated as hedging instruments under ASC 815:			
Foreign currency forward contracts	Other income and (expense)	**$ 1,630**	$ (994)
Foreign currency forward contracts	Revenues	**(4)**	-
		$ 1,626	$ (994)

Note 7. Investments Held in Rabbi Trust

The Company s investments held in rabbi trust, classified as trading securities and included in Other current assets in the accompanying Condensed Consolidated Balance Sheets, at fair value, consist of the following (in thousands):

	September 30, 2015		December 31, 2014	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Mutual funds	**$ 6,047**	**$ 7,400**	$ 5,160	$ 6,952

The mutual funds held in rabbi trust were 79% equity-based and 21% debt-based as of September 30, 2015. Net investment income (losses), included in Other income (expense) in the accompanying Condensed Consolidated Statements of Operations consists of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Gross realized gains from sale of trading securities	**$ -**	$ 153	**$ 20**	$ 156
Gross realized (losses) from sale of trading securities	**-**	-	**(1)**	-
Dividend and interest income	**9**	9	**27**	27
Net unrealized holding gains (losses)	**(543)**	(308)	**(470)**	(29)
Net investment income (losses)	**$ (534)**	$ (146)	**$ (424)**	$ 154

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Note 8. Property and Equipment

In February 2015, customer contact management centers (the facilities) located in Perry County, Kentucky, Buchanan County, Virginia and Wise, Virginia experienced damage to the buildings and contents as a result of winter storms. The Company filed an insurance claim with its property insurance company to recover losses of $1.6 million. The Company received $0.5 million and $1.1 million in April 2015 and July 2015, respectively, for costs to clean up and repair the facilities and business interruption. The Company completed the necessary clean up and repairs. The claim was finalized during the third quarter of 2015, resulting in a $0.9 million net gain on insurance settlement included in General and administrative in the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2015.

Note 9. Deferred Revenue

The components of deferred revenue consist of the following (in thousands):

	September 30, 2015	December 31, 2014
Future service	**$ 23,669**	$ 25,222
Estimated potential penalties and holdbacks	**7,167**	9,023
	$ 30,836	$ 34,245

Note 10. Deferred Grants

The components of deferred grants, net of accumulated amortization, consist of the following (in thousands):

	September 30, 2015	December 31, 2014
Property grants	**$ 4,551**	$ 5,110
Lease grants	**393**	-
Employment grants	**198**	207
Total deferred grants	**5,142**	5,317
Less: Property grants - short-term [1]	**-**	-
Less: Lease grants - short-term [1]	**-**	-
Less: Employment grants - short-term [1]	**(198)**	(207)
Total long-term deferred grants [2]	**$ 4,944**	$ 5,110

[1] Included in Other accrued expenses and current liabilities in the accompanying Condensed Consolidated Balance Sheets.

(2) Included in Deferred grants in the accompanying Condensed Consolidated Balance Sheets.

Note 11. Borrowings

On May 12, 2015, the Company entered into a $440 million revolving credit facility (the 2015 Credit Agreement) with a group of lenders and KeyBank National Association, as Lead Arranger, Sole Book Runner, Administrative Agent, Swing Line Lender and Issuing Lender (KeyBank). The 2015 Credit Agreement replaced the Company s previous $245 million revolving credit facility dated May 3, 2012 (the 2012 Credit Agreement), as amended, which agreement was terminated simultaneous with entering into the 2015 Credit Agreement. The 2015 Credit Agreement is subject to certain borrowing limitations and includes certain customary financial and restrictive covenants.

The 2015 Credit Agreement includes a $200 million alternate-currency sub-facility, a $10 million swingline sub-facility and a $35 million letter of credit sub-facility, and may be used for general corporate purposes including acquisitions, share repurchases, working capital support and letters of credit, subject to certain limitations. The Company is not currently aware of any inability of its lenders to provide access to the full commitment of funds that exist under the revolving credit facility, if necessary. However, there can be no assurance that such facility will be available to the Company, even though it is a binding commitment of the financial institutions.

Borrowings consist of the following (in thousands):

	September 30, 2015	December 31, 2014
Revolving credit facility	**$ 70,000**	$ 75,000
Less: Current portion	**-**	-
Total long-term debt	**$ 70,000**	$ 75,000

The 2015 Credit Agreement matures on May 12, 2020 and has no varying installments due.

Borrowings under the 2015 Credit Agreement will bear interest at either LIBOR or the base rate plus, in each case, an applicable margin based on the Company s leverage ratio. The applicable interest rate will be determined quarterly based on the Company s leverage ratio at such time. The base rate is a rate per annum equal to the greatest of (i) the rate of interest established by KeyBank, from time to time, as its prime rate ; (ii) the Federal Funds effective rate in effect from time to time, plus 1/2 of 1% per annum; and (iii) the then-applicable LIBOR rate for one month interest periods, plus 1.00%. Swingline loans will bear interest only at the base rate plus the base rate margin.

In addition, the Company is required to pay certain customary fees, including a commitment fee of 0.125%, which is due quarterly in arrears and calculated on the average unused amount of the 2015 Credit Agreement.

The 2015 Credit Agreement is guaranteed by all of the Company s existing and future direct and indirect material U.S. subsidiaries and secured by a pledge of 100% of the non-voting and 65% of the voting capital stock of all the direct foreign subsidiaries of the Company and those of the guarantors.

In May 2015, the Company paid an underwriting fee of $0.9 million for the 2015 Credit Agreement, which is deferred and amortized over the term of the loan, along with the deferred loan fees of $0.4 million related to the 2012 Credit Agreement. The Company expensed $0.1 million of the remaining deferred loan fees related to the 2012 Credit Agreement.

The following table presents information related to our credit agreements (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Average daily utilization	**$ 65,435**	$ 79,000	**$ 69,952**	$ 88,462
Interest expense, including commitment fee [(1)]	**$ 327**	$ 339	**$ 965**	$ 1,088
Weighted average interest rate	**2.0%**	1.7%	**1.9%**	1.6%

[(1)] Excludes the amortization of deferred loan fees.

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Note 12. Accumulated Other Comprehensive Income (Loss)

The Company presents data in the Condensed Consolidated Statements of Changes in Shareholders Equity in accordance with ASC 220 *Comprehensive Income* (ASC 220). ASC 220 establishes rules for the reporting of comprehensive income (loss) and its components. The components of accumulated other comprehensive income (loss) consist of the following (in thousands):

	Foreign Currency Translation Gain (Loss)	Unrealized Gain (Loss) on Net Investment Hedge	Unrealized Actuarial Gain (Loss) Related to Pension Liability	Unrealized Gain (Loss) on Cash Flow Hedging Instruments	Unrealized Gain (Loss) on Post Retirement Obligation	Total
Balance at January 1, 2014	$ 12,751	$ (3,683)	$ 1,150	$ (2,535)	$ 314	$ 7,997
Pre-tax amount	(34,947)	6,344	(50)	(2,790)	77	(31,366)
Tax (provision) benefit	-	(2,385)	57	(17)	-	(2,345)
Reclassification of (gain) loss to net income	-	-	(35)	5,237	(49)	5,153
Foreign currency translation	120	-	(114)	(6)	-	-
Balance at December 31, 2014	(22,076)	276	1,008	(111)	342	(20,561)
Pre-tax amount	**(28,820)**	**4,485**	**-**	**1,335**	**74**	**(22,926)**
Tax (provision) benefit	**-**	**(1,602)**	**-**	**47**	**-**	**(1,555)**
Reclassification of (gain) loss to net income	**-**	**-**	**(31)**	**(1,921)**	**(46)**	**(1,998)**
Foreign currency translation	**7**	**-**	**(42)**	**35**	**-**	**-**
Balance at September 30, 2015	**$ (50,889)**	**$ 3,159**	**$ 935**	**$ (615)**	**$ 370**	**$ (47,040)**

The following table summarizes the amounts reclassified to net income from accumulated other comprehensive income (loss) and the associated line item in the accompanying Condensed Consolidated Statements of Operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Statements of Operation Location
	2015	**2014**	**2015**	**2014**	
Actuarial Gain (Loss) Related to Pension Liability: (1)					
Pre-tax amount	**$ 10**	$ 12	**$ 31**	$ 37	Direct salaries and related cos
Tax (provision) benefit	**-**	-	**-**	-	Income taxes
Reclassification to net income	**10**	12	**31**	37	
Gain (Loss) on Cash Flow Hedging Instruments: (2)					
Pre-tax amount	**564**	(653)	**1,894**	(4,786)	Revenues
Tax (provision) benefit	**16**	(5)	**27**	108	Income taxes
Reclassification to net income	**580**	(658)	**1,921**	(4,678)	
Gain (Loss) on Post Retirement Obligation: (1)					
Pre-tax amount	**18**	13	**46**	36	General and administrative
Tax (provision) benefit	**-**	-	**-**	-	Income taxes
Reclassification to net income	**18**	13	**46**	36	
Total reclassification of gain (loss) to net income	**$ 608**	$ (633)	**$ 1,998**	$ (4,605)	

(1) See Note 16, Defined Benefit Pension Plan and Postretirement Benefits, for further information.

(2) See Note 6, Financial Derivatives, for further information.

Except as discussed in Note 13, Income Taxes, earnings associated with the Company s investments in its foreign subsidiaries are considered to be indefinitely reinvested and no provision for income taxes on those earnings or translation adjustments have been provided.

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Note 13. Income Taxes

The Company s effective tax rate was 14.2% and 22.5% for the three months ended September 30, 2015 and 2014, respectively. The decrease in the effective tax rate is predominately due to the recognition of a $2.2 million previously unrecognized tax benefit arising from statute of limitations expirations and a $1.3 million reversal of a valuation allowance on deferred tax assets where it is more likely than not the assets will be realized due to cumulative three year profitability. In addition, the change in tax rate was affected by shifts in earnings among the various jurisdictions in which the Company operates, as well as several factors that are not individually material. The difference between the Company s effective tax rate of 14.2% as compared to the U.S. statutory federal income tax rate of 35.0% was primarily due to the aforementioned factors in conjunction with the recognition of tax benefits resulting from foreign tax rate differentials, income earned in certain tax holiday jurisdictions, changes in uncertain tax positions, adjustments of valuation allowances and tax credits, partially offset by the tax impact of permanent differences and foreign withholding taxes.

The Company s effective tax rate was 22.1% and 23.4% for the nine months ended September 30, 2015 and 2014, respectively. The decrease in the effective tax rate is due to the $2.2 million recognition of a previously unrecognized tax benefit and a $1.3 million reversal of a valuation allowance on deferred tax assets, as explained above. Additionally, the change in tax rate was affected by several factors, including fluctuations in earnings among the various jurisdictions in which the Company operates, none of which are individually material. The difference between the Company s effective tax rate of 22.1% as compared to the U.S. statutory federal income tax rate of 35.0% was primarily due to the aforementioned factors in conjunction with the recognition of tax benefits resulting from foreign tax rate differentials, income earned in certain tax holiday jurisdictions, changes in uncertain tax positions, adjustments of valuation allowances and tax credits, partially offset by the tax impact of permanent differences and foreign withholding taxes.

The Company has accrued $8.7 million and $13.3 million as of September 30, 2015 and December 31, 2014, respectively, excluding penalties and interest, for the liability for unrecognized tax benefits. The decrease is primarily due to the recognition of $2.2 million of tax benefits resulting from the expiration of the statute of limitations, as previously mentioned, and the effects of foreign exchange rate adjustments. As of December 31, 2014, $2.7 million of unrecognized tax benefits was recorded to Deferred charges and other assets in the accompanying Condensed Consolidated Balance Sheet in accordance with ASU 2013-11 *Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* The $8.7 million and the remaining $10.6 million of the unrecognized tax benefits at September 30, 2015 and December 31, 2014, respectively, are recorded in Long-term income tax liabilities in the accompanying Condensed Consolidated Balance Sheets.

Earnings associated with the investments in the Company s foreign subsidiaries are considered to be indefinitely reinvested outside of the U.S. Therefore, a U.S. provision for income taxes on those earnings or translation adjustments has not been recorded, as permitted by criterion outlined in ASC 740 *Income Taxes.* Determination of any unrecognized deferred tax liability for temporary differences related to investments in foreign subsidiaries that are essentially permanent in duration is not practicable due to the inherent complexity of the multi-national tax environment in which the Company operates.

The Company is currently under audit in several tax jurisdictions. The Company rece