

SYKES[®]

Annual Report 2016



Real People. Real Solutions.

SYKES is a global business process outsourcing (BPO) leader in providing comprehensive inbound customer engagement services to Global 2000 companies, primarily in the communications, financial services, healthcare, technology, transportation and retail industries. SYKES' differentiated end-to-end service platform effectively engages consumers at every touch point in their customer lifecycle, starting from digital marketing and acquisition to customer support, technical support, up-sell/cross-sell and retention. Headquartered in Tampa, Florida, with customer contact engagement centers throughout the world, SYKES provides its services through multiple communication channels encompassing phone, email, web, chat, social media and digital self-service. Utilizing its integrated onshore/offshore and virtual at-home agent delivery models, SYKES serves its clients through two geographic operating segments: the Americas (United States, Canada, Latin America, India and the Asia Pacific region) and EMEA (Europe, Middle East and Africa). SYKES also provides various enterprise support services in the Americas and fulfillment services in EMEA, which include order processing, inventory control, product delivery and product returns handling. For additional information please visit www.sykes.com.



Dear Shareholders,

While the topics of artificial intelligence and chatbots – which we'll discuss in greater detail later in this letter – generated a lot of curiosity in the customer engagement industry in 2016, we remained focused on executing our business strategy and delivering proven solutions to the market. The results:

- We altered the demand trajectory of our business in 2016, with growth outpacing 2015 levels by a wide margin.
- We acquired Clearlink, which delivered solid revenue growth and operating margin performance right out of the gate.
- We built upon the success of our at-home agent platform in North America to extend this dynamic solution to Europe, the Middle East and Africa (EMEA). We are pleased to note that this important rollout went according to plan and is already bearing fruit.
- We hired new operational leadership to further position us for sustained growth and margin expansion.

Striking a balance between revenue growth and operating margin expansion is an art that we have operationalized into science. However, that balance became skewed significantly in 2016, temporarily blunting our margin performance. Why? Because the success we enjoyed on many fronts also created some short-term hurdles in 2016. The combination of heavy seat capacity investments and expansion, aggressive ramp schedules, longer speed to agent proficiency and higher than anticipated demand weighed on our operating margins.

Fortunately, the challenges we faced were isolated to one geographical area, and we're confident we have a credible plan for course correction. Also, as we move into 2017, we are well positioned to capitalize on the strong sales execution of 2016, thanks in part to Clearlink. In short, we believe we have accurately calibrated our actions and expectations going into 2017. In this letter, we will provide an overview of our 2016 operating results. We will also discuss trends in the industry and our positioning relative to those trends. Finally, we will highlight our agenda for 2017.

2016 in Review

A BANNER YEAR FOR BUSINESS DEVELOPMENT

From a business development perspective, 2016 was a banner year. Thanks to our operational performance, industry reputation and competitive differentiation, we won numerous substantial opportunities across our vertical markets, including communications, financial services, technology, healthcare, travel and retail. The most significant wins were in the communications and financial services verticals.

EVOLVING OPPORTUNITIES IN COMMUNICATIONS

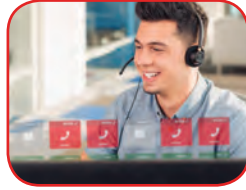
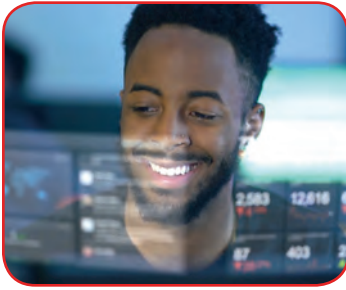
Within communications, there was a nice pick-up in growth, despite market indicators to the contrary. It is true that global smartphone shipments have slowed sharply, down from 47% growth in 2012 to 1% in 2016, according to a recent estimate by research firm IDC. It is also true that smartphone penetration



CHARLES E. SYKES
President and CEO



JOHN CHAPMAN
Executive VP and CFO



rates are starting to top out. In the U.S., for instance, smartphone penetration rates are approaching 80% – up from 45% in early 2012, according to comScore. And smartphone product cycles are seeing little incremental innovation. So what’s driving our growth? We are still seeing opportunities in the wireless space, driven, in

part, by resets in pricing plans and bundles. And wireless is just one part of the growth equation; there are opportunities within broadband as well. What’s more, there are other macro growth levers within the communications vertical – in particular, the horizontal and vertical merger and acquisition activity where there is consolidation among broadband and wireless providers entering

into the media/broadband space and vice versa. This reordering of the industry landscape is creating opportunities as change leads to a need for customer acquisition, service and retention.

In addition, continued vendor consolidation and increased outsourcing are adding more fuel to growth within the communications vertical. And with the coming launch of 5G next-generation mobile networks in the 2017-2018 time frame, we could see an additional catalyst emerging.

EXPANDING OUR ROLE WITH FINANCIAL SERVICES CLIENTS

The financial services vertical saw a major upswing relative to 2015. Growth was robust and was partly a result of new client wins, particularly with regional banks, thanks to our domain expertise. We also saw significant growth with existing clients as well as share gains through vendor consolidation, both in areas of credit cards (bolstered by growth in cash-back reward cards among players in the credit card industry) and retail banking (segments such as deposits, online banking, fraud protection, etc.). Somewhat similar dynamics are also at play in the financial services vertical as with the communications vertical, as non-bank small business lenders and new finance technology companies such as SoFi compete with both traditional banks and credit card providers. The financial services vertical could see even greater commercial opportunity over the coming years as interest rates begin their ascent.

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SEIZING DEMAND IN TECH, TRAVEL AND RETAIL

Within the technology vertical, demand drivers included the continued adoption of Internet of Things devices, gaming and advanced networking support. Within our travel business, demand was heightened by the growing popularity of the online travel agency, which is capitalizing on consumer trends toward spending on experiences, rather than possessions. And finally, our retail vertical benefited from channel shifts from brick-and-mortar to online as we leveraged our at-home agent platform to maximum effect.

PUTTING OUR OPERATING MARGINS INTO PERSPECTIVE

As our performance in 2016 illustrates, we again capitalized on the demand backdrop by navigating the shifts within our key verticals. So why didn’t that growth translate into anticipated operating margin performance? The reasons are clear. Even though we grew in the aggregate within our 4% to 6% targeted growth range, the pathway to our actual growth was very lopsided and came with some unanticipated twists.

First, we added significant seat capacity to accommodate that growth. To put it into perspective, excluding Clearlink, we added approximately 5,300 seats – roughly a 13% increase – the most we have added in close to a decade. Second, and more noteworthy, close to a third of the net seat count was focused in several states where we had to ramp up the equivalent of almost four new brick-and-mortar sites spread across different locations with new management at each site. And finally, despite our aggressive strategy to fill those seats, actual demand came in much stronger than our clients’ forecasts, which impacted our operational readiness. The convergence of higher than projected

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demand amid a steep onboarding curve spread across various sites and states in the U.S. drove agent attrition and absenteeism levels. This not only moderated the revenue growth rate because of higher overall attrition from the production floor and lower billable utilization of those agents due to higher absenteeism, but the revenue impact also weighed on operating margins due to fixed costs of brick-and-mortar facilities (including rent, depreciation, utilities,

etc.) and the additional cost of back-filling seats lost to attrition and absenteeism. Furthermore, in cases where we were able to accommodate higher than projected demand, we were not able to completely monetize the demand surge as these accounts were initially priced on an hourly basis. Consequently, this rise in demand didn’t translate into what could have been even higher revenue growth and strong operating margins. Instead, our actual 2016 revenues, though strong, were still off by roughly \$14 million relative to what we planned, which resulted in an operating margin of 6.3%* (or 7.9% on a non-GAAP basis; see section titled “Non-GAAP Financial Measures” for an explanation and see Exhibit 1 for reconciliation) vs. 7.3%** (or 8.5% on a non-GAAP basis) for 2015.

Industry Trends

CUTTING THROUGH THE NOISE

In virtually every shareholder letter, we provide our candid insights regarding trends and attitudes that are shaping the customer engagement industry in some way. From headline-grabbing technology solutions to subtle shifts in client strategies, we aim to equip our shareholders with valuable market intelligence to distinguish fleeting buzzwords from business-driven advancements. We also intend to show how SYKES is positioned to capitalize on the trends that matter most.

The discussion around trends has been wide ranging, encompassing offshoring, vendor consolidation, the at-home agent model and automation to digital channels (such as email, chat and social media support), omni-channel support, effortless customer experience and demand generation. Some trends have gained traction more than others.

OFFSHORING AND EMAIL SUPPORT

Offshoring, which gained momentum in the early 2000s and rode a strong wave for a decade, has been transformative to the industry. Email support also captured a lot of mindshare and industry buzz, but otherwise was slow to gain traction and has had a more muted impact. We believe what drives the adoption of some trends versus others is



whether the benefits can be readily quantified from a return on investment (ROI) perspective when weighed against customer satisfaction (CSAT), effortless customer experience and the embedded trade-off among all three. Offshoring, as an example, had a demonstrable ROI in terms of tangible cost savings of around 30% to 50% to our clients against a modest decline in CSAT initially, and, as such, was adopted rapidly by the industry. On the other hand, the adoption of email as a form of customer support, which was viewed as a killer app against voice calls, has had a negligible impact on the industry more than a decade since its introduction. Although email support can be very cost-effective, and it certainly does augment the channels of digital customer support, it didn't raise CSAT because it didn't necessarily resolve queries faster or reduce the customer effort.

VENDOR CONSOLIDATION

One trend we have talked about numerous times – and it is a powerful one – is that of vendor consolidation. Increasingly, clients are streamlining their vendor portfolios to simplify their supply chain and reduce cost, while driving consistency in operational performance and net promoter scores. It is a notable trend that is having a significant impact on the competitive landscape by shrinking the footprint of relevant competitors in the industry. In fact, we saw evidence of it in our growth drivers in 2016, across the telecom, technology and financial services verticals, underscoring that we are a net beneficiary of this trend.

Increasingly, clients are streamlining their vendor portfolios to simplify their supply chain and reduce cost, while driving consistency in operational performance and net promoter scores.

Even as clients are looking to streamline the number of suppliers, the upshot for our company is that they are looking for vendors with a deeper set of capabilities. Helping clients monetize their customer base, for instance, is key. In one example, clients are looking at vendors that have a strong skill set in cross-selling – such as in billing calls for telecom providers where additional services such as broadband, more data and home entertainment services are cross-sold. Other compelling channels for customer acquisition and monetization for our clients involve digital marketing and demand generation development. Here, our clients are looking to vendors with a suite of capabilities that can support their end customers through the full lifecycle. We have pushed deeper into this area with the acquisition of Clearlink, which precisely addresses this need and strengthens our positioning in terms of both strategic differentiation and market alignment.



OMNI-CHANNEL SUPPORT

One trend that has also generated considerable buzz, and which we have discussed in detail in the past, is omni-channel support. To put it succinctly, it hasn't gained as much traction thus far in the industry itself as it has in industry publications. Barriers to widespread adoption include the technology requirements around greater data integration among disparate systems, siloed organization structures, and the operational challenge of training agents to interact with customers on multiple channels. According to industry analyst Forrester Research, only 3% of companies can seamlessly traverse customer interactions from one channel to another, underscoring our previously stated view that omni-channel is a long way away from being a major force in the industry.



CHATBOTS

Finally, a topic that is getting a lot of attention is the personalization of self-service through chatbots. Some clients are using self-service chatbots to deal with basic requests through autoresponders on their websites.

According to Ubisend's "2016 Mobile Messaging Report," chatbots help companies address the needs of the 64% of consumers who believe a business should be available and contactable via messaging applications. These requests run the gamut, such as: What time do you open? Are pets allowed in your hotel? What is your refund policy? In other words, the chatbots are a play on convenience and efficiency, akin to a more user-friendly version of the frequently asked questions on a website.



Given that the use of chatbots is in its infancy and the lay of the land in terms of chatbot solution providers is extremely fragmented, it is tough to gauge the impact on customer engagement transactions in the industry – and ultimately, the success of this tool. It is our view that chatbots will have a place, just as interactive voice response (IVR) systems or websites do, in answering basic questions. And we are evaluating through partnerships how best to embed chatbots as part of our offering and go-to-market strategy.

While simple transactions have already been and will continue to be automated – either through the web when someone uses a search engine, social media, an app or through IVR – we are dealing with transaction types that are complex in nature, such as billing plans, fraud protection, banking, sales and service, etc. These are support transactions that will be high touch in nature for the foreseeable future. Moreover, even as simple processes have been automated, thus reducing the number of transactions, the number of minutes per customer interaction continues to increase along with transaction complexity. This high-touch service is, ultimately, what drives growth in our revenue.

Even as simple processes have been automated, thus reducing the number of transactions, the number of minutes per customer interaction continues to increase along with transaction complexity.

In the event of a seismic shift in the industry where more complex support transactions become automated, our investment in Clearlink would serve as a nice counterbalance by helping clients with revenue generation. In addition, we have made a foray into self-service through the acquisition of Qelp, and we are already building on that platform by leveraging other aspects of artificial intelligence.

Focus for 2017

RISING TO THE CHALLENGE

When we outlined our focus for 2016 in our previous Annual Report, we talked about significant program ramps over a very narrow timetable – and we maintained that we were in a state of readiness to handle the work load. As our results have shown, 2016 did test our operational readiness. Substantially higher than forecasted demand from both new and existing clients, coupled with a change in the timing and the nature of programs, led to some workforce challenges – in particular, higher agent attrition and absenteeism. Even though it tempered our operational momentum, it didn't dent our conviction in what we believe is a sustainable level of operating margin performance of 8% to 10%. We believe the factors

that weighed on our results were discrete in nature and were more a function of timing. Underlying demand fundamentals remain healthy, and our client relationships are strong. We have made some changes to our operations, including bringing on new management talent, altering agent support ratios and instituting performance-based wage adjustments where practical. Ultimately, it is our belief that our short-term challenges will be resolved, and we will continue to forge ahead.

Since we have a suite of offerings and capabilities that can be leveraged across our verticals, clients, markets and geographies, we are in a position to sustain our competitive advantage and capitalize on growth opportunities. We are levered to the growth in the digital economy, thanks to our demand generation and self-service offerings – which can help our clients both acquire customers through new channels and help end-customers resolve their issues in a channel of their choice. We have launched initiatives around data analytics, and we are evaluating artificial intelligence, especially chatbots, that can help our clients deliver better outcomes for their customers. In addition, we are using components of our at-home agent infrastructure in unique ways to drive process improvement – which can accelerate an agent’s speed to proficiency, thus materially enhancing agent productivity and the efficiency of our model.

In closing, we have the right momentum and understand what actions need to be taken in 2017 to drive results. But as realists, it doesn’t mean we can discount the power of the unexpected. The macro-backdrop can get volatile at times. Not to mention, we are seeing pockets of labor market tightness and some wage pressures that could have an impact on our business. We will continue to manage factors within our control and mitigate the impact of those beyond our control, which means working with our clients as partners. We believe we have a value proposition that resonates strongly in the industry. It is a platform that can capture opportunities and sustain our long-term growth momentum, while unlocking value for investors.

As always, we would like to thank you – our shareholders, clients, employees and board members. Your enduring trust and support makes it possible for SYKES to help people, one caring interaction at a time.



CHARLES E. SYKES

President and Chief Executive Officer



JOHN CHAPMAN

Executive Vice President and Chief Financial Officer

*2016 GAAP operating margin was 6.3% compared to a non-GAAP operating margin of 7.9%, which includes 1.5% in adjustments associated with the add-back of acquisition-related depreciation & amortization of property & equipment and intangible write-ups, 0.3% add-back related to merger and integration costs, both of which were partially offset by a reversal of a gain on contingent consideration of 0.2%.

**2015 GAAP operating margin was 7.3% compared to a non-GAAP operating margin of 8.5%, which includes 1.2% in adjustments associated with the add-back of acquisition-related depreciation & amortization of property & equipment and intangible write-ups.

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, 2016

Or

Transition Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934
For The Transition Period From _____ To _____

Commission File Number 0-28274

Sykes Enterprises, Incorporated

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of
incorporation or organization)

56-1383460

(IRS Employer
Identification No.)

400 N. Ashley Drive, Suite 2800, Tampa, Florida
(Address of principal executive offices)

33602
(Zip Code)

(813) 274-1000

(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 \$.01 Par Value	NASDAQ Stock Market, LLC

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 Exchange 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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

Large accelerated filer 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

The aggregate market value of the shares of voting common stock held by non-affiliates of the Registrant computed by reference to the closing sales price of such shares on the NASDAQ Global Select Market on June 30, 2016, the last business day of the Registrant's most recently completed second fiscal quarter, was \$1,200,267,356.

As of February 9, 2017, there were 42,894,518 outstanding shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE:

Documents	Form 10-K Reference
Portions of the Proxy Statement for the year 2017	
Annual Meeting of Shareholders	Part III Items 10-14

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PART I

Item 1. Business

General

Sykes Enterprises, Incorporated and consolidated subsidiaries (“SYKES,” “our,” “us” or “we”) is a global business process outsourcing (“BPO”) leader in providing comprehensive inbound customer engagement solutions and services to Global 2000 companies primarily in the communications, financial services, healthcare, technology, transportation, retail and other industries. Our differentiated end-to-end solutions and service platform effectively engages consumers at every touch point in their customer lifecycle, starting from digital marketing and acquisition to customer support, technical support, up-sell/cross-sell and retention. We serve our clients through two geographic operating regions: the Americas (United States, Canada, Latin America, Australia and the Asia Pacific Rim) and EMEA (Europe, the Middle East and Africa). Our Americas and EMEA regions primarily provide customer engagement services (with an emphasis on inbound technical support, digital marketing and demand generation, and customer service), which includes customer assistance, healthcare and roadside assistance, technical support, and product and service sales to our clients’ customers. These services are delivered through multiple communication channels including phone, e-mail, social media, text messaging, chat and digital self-service. We also provide various enterprise support services in the United States that include services for our clients’ internal support operations, from technical staffing services to outsourced corporate help desk services. In Europe, we also provide fulfillment services, which includes order processing, payment processing, inventory control, product delivery and product returns handling. (See Note 25, Segments and Geographic Information, of the accompanying “Notes to Consolidated Financial Statements” for further information on our segments.) Our complete service offering helps our clients acquire, retain and increase the lifetime value of their customer relationships. We have developed an extensive global reach with customer engagement centers across six continents, including North America, South America, Europe, Asia, Australia and Africa. We deliver cost-effective solutions that enhance the customer service experience, promote stronger brand loyalty, and bring about high levels of performance and profitability.

SYKES was founded in 1977 in North Carolina and we moved our headquarters to Florida in 1993. In March 1996, we changed our state of incorporation from North Carolina to Florida. Our headquarters are located at 400 North Ashley Drive, Suite 2800, Tampa, Florida 33602, and our telephone number is (813) 274-1000.

In April 2016, we completed the acquisition of Clear Link Holdings, LLC (“Clearlink”), pursuant to a definitive Agreement and Plan of Merger, dated March 6, 2016. We have reflected Clearlink’s operating results in the accompanying Consolidated Statement of Operations for the period from April 1, 2016 to December 31, 2016.

In July 2015, we 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. We have reflected Qelp’s operating results in the accompanying Consolidated Statements of Operations for the period from July 2, 2015 to December 31, 2015 and the year ended December 31, 2016.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, as well as our proxy statements and other materials which are filed with, or furnished to, the Securities and Exchange Commission (“SEC”) are made available, free of charge, on or through our Internet website at www.sykes.com (click on “Company” then “Investor Relations” and then “SEC Filings”) as soon as reasonably practicable after they are filed with, or furnished to, the SEC.

Industry Overview

The customer engagement solutions and services industry – which includes services such as digital marketing and demand generation, customer acquisition, customer support and customer retention – is highly fragmented and significant in size. According to Ovum, an industry research firm, the total number of individuals, or agent positions, working in the customer engagement services industry worldwide was estimated at roughly 10.2 million in 2016. With approximately 78% of the customer engagement work done by in-house engagement centers, the number of agent positions working for outsourcers, such as SYKES, was estimated at 2.2 million in 2016. The outsourced and total agent positions are forecasted by Ovum to grow at compound annual growth rate of 4.9% and 2.8%, respectively, from 2016 to 2018. It is estimated that no single outsourcer has more than five percent of the total agent positions worldwide. Measured in dollar terms, the size of the outsourced portion of the customer engagement solutions and services industry worldwide was estimated at approximately \$72 billion in 2016, according to

International Data Corporation (“IDC”), an industry research firm. IDC also estimates that the outsourced portion of the customer engagement solutions and services industry is expected to grow to approximately \$81 billion by 2018, a compound annual growth rate of 6.1% from 2016 to 2018.

We believe that growth for broader outsourced customer engagement solutions and services will be fueled by the trend of Global 2000 companies and medium-sized businesses utilizing outsourcers. In today’s marketplace, companies increasingly are seeking a comprehensive suite of innovative full lifecycle customer engagement management solutions and services that allow them to acquire customers, enhance the end user’s experience with their products and services, strengthen and enhance their company brands, maximize the lifetime value of their customers through retention and up-sell and cross-sell, efficiently and effectively deliver human interactions when and where customers value it most, and deploy best-in-class customer management strategies, processes and technologies. However, a myriad of factors, among them intense global competition, pricing pressures, softness in the global economy and rapid changes in technology, continue to make it difficult for companies to cost-effectively maintain the in-house personnel necessary to handle all of their customer engagement needs.

To address these needs, we offer comprehensive global customer engagement solutions and services that leverage brick-and-mortar and at-home agent delivery infrastructure as well as digital self-service capabilities. We provide consistent high-value support for our clients’ customers across the globe in a multitude of languages, leveraging our dynamic, secure communications infrastructure and our global footprint that reaches across 20 countries. This global footprint includes established brick-and-mortar operations in both onshore and offshore geographies where companies have access to high-quality customer engagement solutions at lower costs compared to other markets. We further complement our brick-and-mortar global delivery model with a highly differentiated and ready-made best-in-class at-home agent delivery model. In addition, we provide digital self-service customer support that differentiates our go-to-market strategy as it expands options for companies to best service their customers in their channel of choice to deliver an “effortless customer experience.” By working in partnership with outsourcers, companies can ensure that the crucial task of acquiring, growing and retaining their customer base is addressed while creating operating flexibility, enabling focus on their core competencies, ensuring service excellence and execution, achieving cost savings through a variable cost structure, leveraging scale, entering niche markets speedily, and efficiently allocating capital within their organizations.

Business Strategy

Broadly speaking, our value proposition to our clients is that of a trusted partner, which provides a comprehensive suite of full lifecycle customer engagement solutions and services to Global 2000 companies that drive customer acquisition, differentiation, brand loyalty and increased lifetime value of end customer relationships. By outsourcing their customer acquisition and service solutions to us, clients are able to achieve designs of exceptional customer experience and drive tangible business impact with greater operational flexibility, enhanced revenues, lower operating costs and faster speed to market, all of which are at the center of our value proposition. At a tactical level, we deliver on this value proposition through consistent delivery of operational and client excellence. Our business strategy is to leverage this value proposition in order to capitalize on and increase our share of the large and underpenetrated addressable market opportunity for customer engagement solutions and services worldwide. We believe through successful execution of our business strategy, we could generate a healthy level of revenue growth and drive targeted long-term operating margins. To deliver on our long-term growth potential and operating margin objectives, we need to manage the key levers of our business strategy, the principles of which include the following:

Build Long-Term Client Relationships Through Customer Service Excellence. We believe that providing high-value, high-quality service is critical in our clients’ decisions to outsource and in building long-term relationships with our clients. To ensure service excellence and consistency across each of our centers globally, we leverage a portfolio of techniques, including SYKES Science of Service®. This standard is a compilation of more than 30 years of experience and best practices. Every customer engagement center strives to meet or exceed the standard, which addresses leadership, hiring and training, performance management down to the agent level, forecasting and scheduling, and the client relationship including continuous improvement, disaster recovery plans and feedback.

Increasing Share of Seats Within Existing Clients and Winning New Clients. We provide customer engagement solutions and services to Global 2000 companies. With this large target market, we have the opportunity to grow our client base. We strive to achieve this by winning a greater share of our clients’ in-house seats as well as gaining share from our competitors by providing consistently high-quality service as clients continue to consolidate their vendor base. In addition, as we further integrate the recently-acquired digital marketing, demand generation and customer acquisition or sales conversion capabilities of Clearlink and leverage it across our brick-and-mortar and at-

home agent delivery platforms both domestically and internationally within our vertical markets mix, we plan to win new clients as a way to broaden our base of growth.

Diversifying Verticals and Expanding Service Lines. To mitigate the impact of any negative economic and product cycles on our growth rate, we continue to seek ways to diversify into verticals and service lines that have countercyclical features and healthy growth rates. We are targeting the following verticals for growth: communications, financial services, technology/consumer, healthcare and retail. These verticals cover various business lines, including wireless services, broadband, retail banking, credit card/consumer fraud protection, content moderation, telemedicine and soft and hard goods retailers.

Maximizing Capacity Utilization Rates and Strategically Adding Seat Capacity. Revenues and profitability growth are driven by increasing the capacity utilization rate in conjunction with seat capacity additions. We plan to sustain our focus on increasing the capacity utilization rate by further penetrating existing clients, adding new clients and rationalizing underutilized seat capacity as deemed necessary. With greater operating flexibility resulting from our at-home agent delivery model, we can rationalize underutilized capacity more efficiently and drive capacity utilization rates.

Broadening At-Home Agent and Brick-and-Mortar Global Delivery Footprint. Just as increased capacity utilization rates and increased seat capacity are key drivers of our revenues and profitability growth, where we deploy both the seat capacity and the at-home agent delivery platform geographically is also important. By broadening and continuously strengthening our brick-and-mortar global delivery footprint and our at-home agent delivery platform, we are able to meet both our existing and new clients' customer engagement needs globally as they enter new markets. At the end of 2016, our global delivery brick-and-mortar footprint spanned 20 countries while our at-home agent delivery platform was recently launched in EMEA, building on our existing presence in 40 states and nine provinces within the U.S. and Canada, respectively.

Creating Value-Added Service Enhancements. To improve both revenue and margin expansion, we will continue to introduce new service offerings and add-on enhancements. Digital marketing and demand generation, multilingual customer support, digital self-service support and back office services are examples of horizontal service offerings, while data analytics and process improvement products are examples of add-on enhancements. Additionally, with the rapid emergence of on-line communities, such as Facebook and Twitter, we continue to make on-going investments in our social media service offerings, which can be leveraged across both our brick-and-mortar and at-home agent delivery platforms.

Continuing to Focus on Expanding the Addressable Market Opportunities. As part of our growth strategy, we continually seek to expand the number of markets we serve. The United States, Canada and Germany, for instance, are markets which are served by in-country centers, centers in offshore regions or a combination thereof. We continually seek ways to broaden the addressable market for our customer engagement services. We currently operate in 14 markets.

Continue to Grow Our Business Organically and through Acquisitions. We have grown our customer engagement solutions and services utilizing a strategy of both internal organic growth and external acquisitions. Our organic growth and acquisition strategy is to target markets, clients, verticals, delivery geographies and service mix that will expand our addressable market opportunity, and thus drive our organic growth. Entry into The Philippines, El Salvador, Romania and Colombia are examples of how we leveraged these delivery geographies to further penetrate our base of both existing and new clients, verticals and service mix in order to drive organic growth. While the Alpine Access, Inc. ("Alpine"), Qelp and Clearlink acquisitions are examples of how we used acquisitions to augment our service offerings and differentiate our delivery model, the ICT Group, Inc. ("ICT") acquisition is an example of how we used an acquisition to gain overall size and critical mass in key verticals, clients and geographies.

Strategic Rationale for the Clearlink Acquisition

We completed the acquisition of Clearlink in April 2016. Clearlink is one of the leading inbound demand generation and sales conversion platforms serving numerous business-to-consumer and business-to-business clients across various industries and subsectors, including telecommunications, satellite television, home security and insurance. Consumers are rapidly adopting and increasing their utilization of digital channels as a preferred method to engage with brands, whether that engagement is before, during, or after purchase. The acquisition of Clearlink positions us to capitalize on the trends around the digital customer experience lifecycle, in particular the convergence of

customer care and customer acquisition. Combining Clearlink’s digital marketing, demand generation, and sales conversion model with our post-sales customer care and support capabilities allows us to provide the market with a unique and differentiated global customer interaction management platform that more effectively engages digital consumers at every touch point in the customer lifecycle.

Through the acquisition of Clearlink, we further:

- extended our competitive advantage, thus enabling us to further capitalize on the trend toward vendor consolidation;
- expanded our suite of service offerings that can scale across the global markets, verticals and client portfolios;
- broadened the addressable market opportunity as it enables a greater share of the customer engagement value chain; and
- created more entry points to capture new clients while extending our executive level reach within existing clients’ organizations.

Services

We specialize in providing comprehensive inbound outsourced customer engagement solutions and services in the BPO arena on a global basis. These services include digital marketing, demand generation, customer acquisition, customer support, technical support, up-sell/cross-sell and retention. Our comprehensive customer engagement solutions and services are provided through two reportable segments — the Americas and EMEA. The Americas region, representing 83.6% of consolidated revenues in 2016, includes the United States, Canada, Latin America, Australia and the Asia Pacific Rim. The sites within Latin America and the Asia Pacific Rim are included in the Americas region as they provide a significant service delivery vehicle for U.S.-based companies that are utilizing our customer engagement solutions and services in these locations to support their customer care needs. In addition, the Americas region also includes revenues from our at-home agent delivery solution, which serves markets in both the U.S. and Canada. The EMEA region, representing 16.4% of consolidated revenues in 2016, includes Europe, the Middle East and Africa. See Note 25, Segments and Geographic Information, of the accompanying “Notes to Consolidated Financial Statements” for further information on our segments. The following is a description of our customer engagement solutions and services:

Outsourced Customer Engagement Solutions and Services. Our outsourced customer engagement solutions and services represented approximately 99.2% of total 2016 consolidated revenues. Each year, we handle over 250 million customer engagements including phone, e-mail, social media, text messaging, chat and digital self-service support throughout the Americas and EMEA regions. We provide these services utilizing our advanced technology infrastructure, human resource management skills and industry experience. These services include:

- Customer care — Customer care contacts primarily include product information requests, describing product features, activating customer accounts, resolving complaints, cross-selling/up-selling, handling billing inquiries, changing addresses, claims handling, ordering/reservations, prequalification and warranty management, providing health information and roadside assistance;
- Technical support — Technical support contacts primarily include handling inquiries regarding hardware, software, communications services, communications equipment, Internet access technology and Internet portal usage; and
- Customer acquisition — Our customer acquisition services are focused around digital marketing, demand generation, and in-bound sales conversion, as well as inbound and some outbound up-selling of our clients’ products and services.

We provide these services, primarily inbound customer calls, in many languages through our extensive global network of customer engagement centers. In addition, we augment those in-bound calls with the option of digital self-service customer support. Our technology infrastructure and managed service solutions allow for effective distribution of calls to one or more centers. These technology offerings provide our clients and us with the leading edge tools needed to maximize quality and customer satisfaction while controlling and minimizing costs.

Fulfillment Services. In Europe, we offer fulfillment services that are integrated with our customer care and technical support services. Our fulfillment solutions include order processing via the Internet and phone, inventory control, product delivery and product returns handling.

Enterprise Support Services. In the United States, we provide a range of enterprise support services including technical staffing services and outsourced corporate help desk solutions.

Operations

Customer Engagement Centers. We operate across 20 countries in 74 customer engagement centers, which breakdown as follows: 20 centers across Europe and Egypt, 26 centers in the United States, four centers in Canada, three centers in Australia and 21 centers offshore, including the People's Republic of China, The Philippines, Costa Rica, El Salvador, India, Mexico, Brazil and Colombia. In addition to our customer engagement centers, we employ approximately 5,200 at-home customer engagement agents across 40 states in the U.S. and across nine provinces in Canada.

We utilize a sophisticated workforce management system to provide efficient scheduling of personnel. Our internally developed digital private communications network complements our workforce by allowing for effective call volume management and disaster recovery backup. Through this network and our dynamic intelligent call routing capabilities, we can rapidly respond to changes in client call volumes and move call volume traffic based on agent availability and skill throughout our network of centers, improving the responsiveness and productivity of our agents. We also can offer cost competitive solutions for taking calls to our offshore locations.

Our data warehouse captures and downloads customer engagement information for reporting on a daily, real-time and historical basis. This data provides our clients with direct visibility into the services that we are providing for them. The data warehouse supplies information for our performance management systems such as our agent scorecarding application, which provides us with the information required for effective management of our operations.

Our customer engagement centers are protected by a fire extinguishing system, backup generators with significant capacity and 24 hour refueling contracts and short-term battery backups in the event of a power outage, reduced voltage or a power surge. Rerouting of call volumes to other customer engagement centers is also available in the event of a telecommunications failure, natural disaster or other emergency. Security measures are imposed to prevent unauthorized physical access. Software and related data files are backed up daily and stored off site at multiple locations. We carry business interruption insurance covering interruptions that might occur as a result of certain types of damage to our business.

Fulfillment Centers. We currently have one fulfillment center located in Europe. We provide our fulfillment services primarily to certain clients operating in Europe who desire this complementary service in connection with outsourced customer engagement services.

Enterprise Support Services Office. Our enterprise support services office, located in a metropolitan area in the United States, provides recruitment services for high-end knowledge workers, a local presence to service major accounts, and outsourced corporate help desk solutions.

Sales and Marketing

Our sales and marketing objective is to leverage our vertical expertise, global presence, and end-to-end lifecycle of service offerings to develop long-term relationships with existing and future clients. Our customer engagement solutions have been developed to help our clients market, acquire, retain and increase the lifetime value of their customer relationships. Our plans for increasing our visibility and impacting the market include the launch of new service offerings in digital support and digital marketing, participation in market-specific industry associations, trade shows and seminars, digital and content marketing to industry leading corporations, and consultative personal visits and solution designs. We research and publish thought provoking perspectives on key industry issues, and use forums, speaking engagements, articles and white papers, as well as our website and broad global digital and social media presence to establish our leadership position in the market.

Our sales force is composed of business development managers who pursue new business opportunities and strategic account managers who manage and grow relationships with existing accounts. We emphasize account development

to strengthen relationships with existing clients. Business development management and strategic account managers are assigned to markets in their area of expertise in order to develop a complete understanding of each client's particular needs, to form strong client relationships and encourage cross-selling of our other service offerings. We have inside customer sales representatives who receive customer inquiries and who provide pre-sales relationship development for the business development managers. Utilizing best practices from our recent Clearlink acquisition, we are employing modern methods of search and digital marketing to cultivate interest in our brand and services. We use a methodical approach to collecting client feedback through quarterly business reviews, annual strategic reviews, and through our bi-annual Voice of the Client program, which enables us to react to early warning signs, and quickly identify and remedy challenges. It also is used to highlight our most loyal clients, who we then work with to provide references, testimonials and joint speaking engagements at industry conferences.

As part of our marketing efforts, we invite existing and potential clients to experience our customer engagement centers and at-home agent delivery operations, where we can demonstrate the expertise of our skilled staff in partnering to deliver new ways of growing clients' revenues, customer satisfaction and retention rates, and thus profit, through timely, insightful and proven solutions. This forum allows us to demonstrate our capabilities to design, launch and scale programs. It also allows us to illustrate our best innovations in talent management, analytics, and digital channels, and how they can be best integrated into a program's design.

Clients

We provide service to clients from our locations in the United States, Canada, Latin America, Australia, the Asia Pacific Rim, Europe and Africa. These clients are Global 2000 corporations, medium-sized businesses and public institutions, which span the communications, financial services, technology/consumer, transportation and leisure, healthcare and other industries. Revenue by industry vertical for 2016, as a percentage of our consolidated revenues, was 37% for communications, 24% for financial services, 18% for technology/consumer, 7% for transportation and leisure, 5% for healthcare, 3% for retail and 6% for all other verticals, including government and utilities. We believe our globally recognized client base presents opportunities for further cross marketing of our services.

Total revenues by segment from AT&T Corporation, a major provider of communication services for which we provide various customer support services, were as follows (in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas.....	\$ 239,033	19.6%	\$ 217,449	20.8%	\$ 212,607	19.9%
EMEA.....	-	0.0%	3,003	1.2%	3,519	1.4%
	<u>\$ 239,033</u>	<u>16.4%</u>	<u>\$ 220,452</u>	<u>17.1%</u>	<u>\$ 216,126</u>	<u>16.3%</u>

We have multiple distinct contracts with AT&T spread across multiple lines of businesses, which expire at varying dates between 2017 and 2018. We have historically renewed most of these contracts. However, there is no assurance that these contracts will be renewed, or if renewed, will be on terms as favorable as the existing contracts. Each line of business is governed by separate business terms, conditions and metrics. Each line of business also has a separate decision maker such that a loss of one line of business would not necessarily impact our relationship with the client and decision makers on other lines of business. The loss of (or the failure to retain a significant amount of business with) any of our key clients, including AT&T, could have a material adverse effect on our performance. Many of our contracts contain penalty provisions for failure to meet minimum service levels and are cancelable by the client at any time or on short notice. Also, clients may unilaterally reduce their use of our services under our contracts without penalty.

Total revenues by segment from our next largest client, which was in the financial services vertical in each of the years, were as follows (in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas.....	\$ 90,508	7.4%	\$ 62,980	6.0%	\$ 70,255	6.6%
EMEA.....	-	0.0%	-	0.0%	-	0.0%
	<u>\$ 90,508</u>	<u>6.2%</u>	<u>\$ 62,980</u>	<u>4.9%</u>	<u>\$ 70,255</u>	<u>5.3%</u>

Other than AT&T, total revenues by segment of our clients that each individually represent 10% or greater of that segment's revenues in each of the years were as follows (in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas.....	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
EMEA.....	96,115	40.2%	68,720	28.5%	79,811	31.1%
	<u>\$ 96,115</u>	<u>6.6%</u>	<u>\$ 68,720</u>	<u>5.3%</u>	<u>\$ 79,811</u>	<u>6.0%</u>

Our top ten clients accounted for approximately 49.2%, 48.5% and 46.8% of our consolidated revenues during the years ended December 31, 2016, 2015 and 2014, respectively.

Competition

The industry in which we operate is global and, therefore, highly fragmented and extremely competitive. While many companies provide customer engagement solutions and services, we believe no one company is dominant in the industry.

In most cases, our principal competition stems from our existing and potential clients' in-house customer engagement operations. When it is not the in-house operations of a client or potential client, our public and private direct competition includes 24/7 Customer, Alorica, Arise, Atento, Concentrix, Convergys, Groupe Acticall/Sitel, iQor, LiveOps, StarTek, Sutherland, Teleperformance, TeleTech, Transcom and Working Solutions, as well as the customer care arm of such companies as Accenture, Conduent, Infosys, Tech Mahindra and Wipro, among others. There are other numerous and varied providers of such services, including firms specializing in various CRM consulting, other customer engagement solutions providers, niche or large market companies, as well as product distribution companies that provide fulfillment services. Some of these companies possess substantially greater resources, greater name recognition and a more established customer base than we do.

We believe that the most significant competitive factors in the sale of outsourced customer engagement services include service quality, tailored value-added service offerings, industry experience, advanced technological capabilities, global coverage, reliability, scalability, security, price and financial strength. As a result of intense competition, outsourced customer engagement solutions and services frequently are subject to pricing pressure. Clients also require outsourcers to be able to provide services in multiple locations. Competition for contracts for many of our services takes the form of competitive bidding in response to requests for proposal.

Intellectual Property

The success of our business depends, in part, on our proprietary technology and intellectual property. We rely on a combination of intellectual property laws and contractual arrangements to protect our intellectual property. We and our subsidiaries have registered various trademarks and service marks in the U.S. and/or other countries, including SYKES®, REAL PEOPLE. REAL SOLUTIONS®, SYKES HOME®, SYKES HOME POWERED BY ALPINE ACCESS®, SCIENCE OF SERVICE®, ALPINE ACCESS®, ALPINE ACCESS UNIVERSITY®, TALENTSPROUT®, SECURE TALK®, CLEARLINK®, BUYCALLS®, A SECURE LIFE®, and LEADAMP®. The duration of trademark and service mark registrations varies from country to country but may generally be

renewed indefinitely as long as the marks are in use and their registrations are properly maintained. We have a pending U.S. patent application which relates to a system and method of analysis and recommendation for distributed employee management and digital collaboration. Our subsidiary, Alpine, was issued U.S. Patent No. 8,565,413 in 2013 which relates to a system and method for establishment and management of a remote agent engagement center. Alpine was also issued U.S. Patent No. 9,100,484 in 2015 which relates to a secure call environment. Clearlink's subsidiary, LeadAmp, has a pending U.S. patent application which relates to lead management software.

Employees

As of January 31, 2017, we had approximately 55,525 employees worldwide, including 44,200 customer engagement agents handling technical and customer support inquiries at our centers, 5,200 at-home customer engagement agents handling technical and customer support inquiries, 6,000 in management, administration, information technology, finance, sales and marketing roles, 25 in enterprise support services and 100 in fulfillment services. Our employees, with the exception of approximately 500 employees in Brazil and various European countries, are not union members and we have never suffered a material interruption of business as a result of a labor dispute. We consider our relations with our employees worldwide to be satisfactory.

We employ personnel through a continually updated recruiting network. This network includes a seasoned team of recruiters, competency-based selection standards and the sharing of global best practices in order to advertise to and source qualified candidates through proven recruiting techniques. Nonetheless, demand for qualified professionals with the required language and technical skills may still exceed supply at times as new skills are needed to keep pace with the requirements of customer engagements. As such, competition for such personnel is intense. Additionally, employee turnover in our industry is high.

Executive Officers

The following table provides the names and ages of our executive officers, and the positions and offices currently held by each of them:

Name	Age	Principal Position
Charles E. Sykes	54	President and Chief Executive Officer and Director
John Chapman	50	Executive Vice President and Chief Financial Officer
Lawrence R. Zingale	60	Executive Vice President and General Manager
Andrew J. Blanchard	59	Executive Vice President and General Manager
James D. Farnsworth	51	Executive Vice President and General Manager
Jenna R. Nelson	53	Executive Vice President, Human Resources
David L. Pearson	58	Executive Vice President and Chief Information Officer
James T. Holder	58	Executive Vice President, General Counsel and Corporate Secretary
William N. Rocktoff	54	Global Vice President and Corporate Controller

Charles E. Sykes joined SYKES in 1986 and was named President and Chief Executive Officer and Director in August 2004. From July 2003 to August 2004, Mr. Sykes was the Chief Operating Officer. From March 2000 to June 2001, Mr. Sykes was Senior Vice President, Marketing, and in June 2001, he was appointed to the position of General Manager, Senior Vice President — the Americas. From December 1996 to March 2000, he served as Vice President, Sales, and held the position of Regional Manager of the Midwest Region for Professional Services from 1992 until 1996.

John Chapman, F.C.C.A., joined SYKES in September 2002 as Vice President, Finance, managing the EMEA finance function and was named Senior Vice President, EMEA Global Region in January 2012, adding operational responsibility. In April 2014, he was named Executive Vice President and Chief Financial Officer. Prior to joining SYKES, Mr. Chapman served as financial controller for seven years for Raytheon UK.

Lawrence R. Zingale joined SYKES in January 2006 as Senior Vice President, Global Sales and Client Management. In May 2010, he was named Executive Vice President, Global Sales and Client Management and in September 2012, he was named Executive Vice President and General Manager. Prior to joining SYKES, Mr. Zingale served as Executive Vice President and Chief Operating Officer of StarTek, Inc. since 2002. From December 1999 until November 2001, Mr. Zingale served as President of the Americas at Stonehenge Telecom, Inc. From May 1997 until November 1999, Mr. Zingale served as President and Chief Operating Officer of International

Community Marketing. From February 1980 until May 1997, Mr. Zingale held various senior level positions at AT&T.

Andrew J. Blanchard joined SYKES in November 2014 as Executive Vice President and General Manager. From 2013 until his joining SYKES, Mr. Blanchard served as Managing Partner at Avasant, a globally ranked third-party advisory and consulting firm. Prior to 2013, Mr. Blanchard had a 30-year career at Accenture, formerly Andersen Consulting, working across the organization in various leadership roles; subsequently being named Managing Director of a new division, which focused on the global customer contact management industry.

James D. Farnsworth joined SYKES in November 2016 as Executive Vice President and General Manager. From 2015 until his joining SYKES, Mr. Farnsworth was President and Chief Executive Officer of Conduit Global, a business process outsourcing company. From 2014 to 2015, Mr. Farnsworth was Executive Vice President and General Manager of consulting and professional services. From 2009 to 2014, Mr. Farnsworth was Co-Founder and Chief Executive Officer of virtualwirks, a professional services firm focused on virtualization of people, performance and business practices. From 2006 to 2009 and from 1998 to 2003, Mr. Farnsworth was at Teletech Holdings, a business process outsourcing firm, where he was Senior Vice President and General Manager of Global Delivery and he was in Operations. From 2004 to 2005, Mr. Farnsworth was at Startek, a business process outsourcing firm, where he was Senior Vice President of Operations and Client Services. And from 2004 to 2005, Mr. Farnsworth was Chief Operating Officer of Alpine Access, an at-home agent business process outsourcer.

Jenna R. Nelson joined SYKES in August 1993 and was named Senior Vice President, Human Resources, in July 2001. In May 2010, she was named Executive Vice President, Human Resources. From January 2001 until July 2001, Ms. Nelson held the position of Vice President, Human Resources. In August 1998, Ms. Nelson was appointed Vice President, Human Resources, and held the position of Director, Human Resources and Administration, from August 1996 to July 1998. From August 1993 until July 1996, Ms. Nelson served in various management positions within SYKES, including Director of Administration.

David L. Pearson joined SYKES in February 1997 as Vice President, Engineering, and was named Vice President, Technology Systems Management, in 2000 and Senior Vice President and Chief Information Officer in August 2004. In May 2010, he was named Executive Vice President and Chief Information Officer. Prior to SYKES, Mr. Pearson held various engineering and technical management roles over a fifteen year period, including eight years at Compaq Computer Corporation and five years at Texas Instruments.

James T. Holder, J.D., joined SYKES in December 2000 as General Counsel and was named Corporate Secretary in January 2001, Vice President in January 2004 and Senior Vice President in December 2006. In May 2010, he was named Executive Vice President. From November 1999 until November 2000, Mr. Holder served in a consulting capacity as Special Counsel to Checkers Drive-In Restaurants, Inc., a publicly held restaurant operator and franchisor. From November 1993 until November 1999, Mr. Holder served in various capacities at Checkers including Corporate Secretary, Chief Financial Officer and Senior Vice President and General Counsel.

William N. Rocktoff, C.P.A., joined SYKES in August 1997 as Corporate Controller and was named Treasurer and Corporate Controller in December 1999 and Vice President and Corporate Controller in March 2002. In January 2011, he was named Global Vice President and Corporate Controller. From November 1989 to August 1997, Mr. Rocktoff held various financial positions, including Corporate Controller, at Kimmins Corporation, a publicly-held contracting company.

Item 1A. Risk Factors

Factors Influencing Future Results and Accuracy of Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations, estimates, forecasts, and projections about us, our beliefs, and assumptions made by us. In addition, we may make other written or oral statements, which constitute forward-looking statements, from time to time. Words such as “may,” “expects,” “projects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” variations of such words, and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe our future plans, objectives or goals also are forward-looking statements. These statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including those discussed below and elsewhere in this Annual Report on Form 10-K. Our actual results may differ materially from what is expressed or forecasted in such forward-looking statements, and undue reliance should not be placed on such statements. All forward-looking statements are made as of the date hereof, and we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Factors that could cause actual results to differ materially from what is expressed or forecasted in such forward-looking statements include, but are not limited to: the marketplace’s continued receptivity to our terms and elements of services offered under our standardized contract for future bundled service offerings; our ability to continue the growth of our service revenues through additional customer engagement centers; our ability to further penetrate into vertically integrated markets; our ability to expand revenues within the global markets; our ability to continue to establish a competitive advantage through sophisticated technological capabilities, and the following risk factors:

Risks Related to Our Business and Industry

Unfavorable general economic conditions could negatively impact our operating results and financial condition.

Unfavorable general economic conditions could negatively affect our business. While it is often difficult to predict the impact of general economic conditions on our business, these conditions could adversely affect the demand for some of our clients’ products and services and, in turn, could cause a decline in the demand for our services. Also, our clients may not be able to obtain adequate access to credit, which could affect their ability to make timely payments to us. If that were to occur, we could be required to increase our allowance for doubtful accounts, and the number of days outstanding for our accounts receivable could increase. In addition, we may not be able to renew our revolving credit facility at terms that are as favorable as those terms available under our current credit facility. Also, the group of lenders under our credit facility may not be able to fulfill their funding obligations, which could adversely impact our liquidity. For these reasons, among others, if unfavorable economic conditions persist or increase, this could adversely affect our revenues, operating results and financial condition, as well as our ability to access debt under comparable terms and conditions.

Our business is dependent on key clients, and the loss of a key client could adversely affect our business and results of operations.

We derive a substantial portion of our revenues from a few key clients. Our top ten clients accounted for approximately 49.2% of our consolidated revenues in 2016. The loss of (or the failure to retain a significant amount of business with) any of our key clients could have a material adverse effect on our business, financial condition and results of operations. Many of our contracts contain penalty provisions for failure to meet minimum service levels and are cancelable by the client at any time or on short-term notice. Also, clients may unilaterally reduce their use of our services under these contracts without penalty. Thus, our contracts with our clients do not ensure that we will generate a minimum level of revenues.

Cyber-attacks as well as improper disclosure or control of personal information could result in liability and harm our reputation, which could adversely affect our business and results of operations.

Our business is heavily dependent upon our computer and voice technologies, systems and platforms. Internal or external attacks on any of those could disrupt the normal operations of our engagement centers and impede our ability to provide critical services to our clients, thereby subjecting us to liability under our contracts. Additionally, our business involves the use, storage and transmission of information about our employees, our clients and customers of our clients. While we take measures to protect the security of, and unauthorized access to, our systems,

as well as the privacy of personal and proprietary information, it is possible that our security controls over our systems, as well as other security practices we follow, may not prevent the improper access to or disclosure of personally identifiable or proprietary information. Such disclosure could harm our reputation and subject us to liability under our contracts and laws that protect personal data, resulting in increased costs or loss of revenue. Further, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions and countries in which we provide services. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace, which could have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to substantial competition.

The markets for many of our services operate on a commoditized basis and are highly competitive and subject to rapid change. While many companies provide outsourced customer engagement services, we believe no one company is dominant in the industry. There are numerous and varied providers of our services, including firms specializing in engagement center operations, temporary staffing and personnel placement, consulting and integration firms, and niche providers of outsourced customer engagement services, many of whom compete in only certain markets. Our competitors include both companies that possess greater resources and name recognition than we do, as well as small niche providers that have few assets and regionalized (local) name recognition instead of global name recognition. In addition to our competitors, many companies who might utilize our services or the services of one of our competitors may utilize in-house personnel to perform such services. Increased competition, our failure to compete successfully, pricing pressures, loss of market share and loss of clients could have a material adverse effect on our business, financial condition and results of operations.

Many of our large clients purchase outsourced customer engagement services from multiple preferred vendors. We have experienced and continue to anticipate significant pricing pressure from these clients in order to remain a preferred vendor. These companies also require vendors to be able to provide services in multiple locations. Although we believe we can effectively meet our clients' demands, there can be no assurance that we will be able to compete effectively with other outsourced customer engagement services companies on price. We believe that the most significant competitive factors in the sale of our core services include the standard requirements of service quality, tailored value-added service offerings, industry experience, advanced technological capabilities, global coverage, reliability, scalability, security, price and financial strength.

The concentration of customer engagement centers in certain geographies poses risks to our operations which could adversely affect our financial condition.

Although we have engagement centers in many locations throughout the world, we have a concentration of centers in certain geographies outside of the U.S. and Canada, specifically The Philippines and Latin America. Our concentration of operations in those geographies is a result of our ability to access significant numbers of employees with certain language and other skills at costs that are advantageous. However, the concentration of business activities in any geographical area creates risks which could harm operations and our financial condition. Certain risks, such as natural disasters, armed conflict and military or civil unrest, political instability and disease transmission, as well as the risk of interruption to our delivery systems, is magnified when the realization of these, or any other risks, would effect a large portion of our business at once, which may result in a disproportionate increase in operating costs.

Our business is dependent on the trend toward outsourcing.

Our business and growth depend in large part on the industry trend toward outsourced customer engagement services. Outsourcing means that an entity contracts with a third party, such as us, to provide customer engagement services rather than perform such services in-house. There can be no assurance that this trend will continue, as organizations may elect to perform such services themselves. A significant change in this trend could have a material adverse effect on our business, financial condition and results of operations. Additionally, there can be no assurance that our cross-selling efforts will cause clients to purchase additional services from us or adopt a single-source outsourcing approach.

We are subject to various uncertainties relating to future litigation.

We cannot predict whether any material suits, claims, or investigations may arise in the future. Regardless of the outcome of any future actions, claims, or investigations, we may incur substantial defense costs and such actions

may cause a diversion of management time and attention. Also, it is possible that we may be required to pay substantial damages or settlement costs which could have a material adverse effect on our financial condition and results of operations.

Our industry is subject to rapid technological change which could affect our business and results of operations.

Rapid technological advances, frequent new product introductions and enhancements, and changes in client requirements characterize the market for outsourced customer engagement services. Technological advancements in voice recognition software, as well as self-provisioning and self-help software, along with call avoidance technologies, have the potential to adversely impact call volume growth and, therefore, revenues. Our future success will depend in large part on our ability to service new products, platforms and rapidly changing technology. These factors will require us to provide adequately trained personnel to address the increasingly sophisticated, complex and evolving needs of our clients. In addition, our ability to capitalize on our acquisitions will depend on our ability to continually enhance software and services and adapt such software to new hardware and operating system requirements. Any failure by us to anticipate or respond rapidly to technological advances, new products and enhancements, or changes in client requirements could have a material adverse effect on our business, financial condition and results of operations.

Our business relies heavily on technology and computer systems, which subjects us to various uncertainties.

We have invested significantly in sophisticated and specialized communications and computer technology and have focused on the application of this technology to meet our clients' needs. We anticipate that it will be necessary to continue to invest in and develop new and enhanced technology on a timely basis to maintain our competitiveness. Significant capital expenditures may be required to keep our technology up-to-date. There can be no assurance that any of our information systems will be adequate to meet our future needs or that we will be able to incorporate new technology to enhance and develop our existing services. Moreover, investments in technology, including future investments in upgrades and enhancements to software, may not necessarily maintain our competitiveness. Our future success will also depend in part on our ability to anticipate and develop information technology solutions that keep pace with evolving industry standards and changing client demands.

Emergency interruption of customer engagement center operations could affect our business and results of operations.

Our operations are dependent upon our ability to protect our customer engagement centers and our information databases against damage that may be caused by fire, earthquakes, severe weather and other disasters, power failure, telecommunications failures, unauthorized intrusion, computer viruses and other emergencies. The temporary or permanent loss of such systems could have a material adverse effect on our business, financial condition and results of operations. Notwithstanding precautions taken to protect us and our clients from events that could interrupt delivery of services, there can be no assurance that a fire, natural disaster, human error, equipment malfunction or inadequacy, or other event would not result in a prolonged interruption in our ability to provide services to our clients. Such an event could have a material adverse effect on our business, financial condition and results of operations.

Our operating results will be adversely affected if we are unable to maximize our facility capacity utilization.

Our profitability is significantly influenced by our ability to effectively manage our contact center capacity utilization. The majority of our business involves technical support and customer care services initiated by our clients' customers and, as a result, our capacity utilization varies and demands on our capacity are, to some degree, beyond our control. In order to create the additional capacity necessary to accommodate new or expanded outsourcing projects, we may need to open new contact centers. The opening or expansion of a contact center may result, at least in the short term, in idle capacity until we fully implement the new or expanded program. Additionally, the occasional need to open customer engagement centers fully, or primarily, dedicated to a single client, instead of spreading the work among existing facilities with idle capacity, negatively affects capacity utilization. We periodically assess the expected long-term capacity utilization of our contact centers. As a result, we may, if deemed necessary, consolidate, close or partially close under-performing contact centers to maintain or improve targeted utilization and margins. There can be no guarantee that we will be able to achieve or maintain optimal utilization of our contact center capacity.

As part of our effort to consolidate our facilities, we may seek to sell or sublease a portion of our surplus contact center space, if any, and recover certain costs associated with it. Failure to sell or sublease such surplus space will negatively impact results of operations.

Increases in the cost of telephone and data services or significant interruptions in such services could adversely affect our financial results.

Our business is significantly dependent on telephone and data service provided by various local and long distance telephone companies. Accordingly, any disruption of these services could adversely affect our business. We have taken steps to mitigate our exposure to service disruptions by investing in redundant circuits, although there is no assurance that the redundant circuits would not also suffer disruption. Any inability to obtain telephone or data services at favorable rates could negatively affect our business results. Where possible, we have entered into long-term contracts with various providers to mitigate short-term rate increases and fluctuations. There is no obligation, however, for the vendors to renew their contracts with us, or to offer the same or lower rates in the future, and such contracts are subject to termination or modification for various reasons outside of our control. A significant increase in the cost of telephone services that is not recoverable through an increase in the price of our services could adversely affect our financial results.

Our profitability may be adversely affected if we are unable to maintain and find new locations for customer engagement centers in countries with stable wage rates.

Our business is labor-intensive and therefore wages, employee benefits and employment taxes constitute the largest component of our operating expenses. As a result, expansion of our business is dependent upon our ability to find cost-effective locations in which to operate, both domestically and internationally. Some of our customer engagement centers are located in countries that have experienced inflation and rising standards of living, which requires us to increase employee wages. In addition, collective bargaining is being utilized in an increasing number of countries in which we currently, or may in the future, desire to operate. Collective bargaining may result in material wage and benefit increases. If wage rates and benefits increase significantly in a country where we maintain customer engagement centers, we may not be able to pass those increased labor costs on to our clients, requiring us to search for other cost effective delivery locations. Additionally, some of our customer engagement centers are located in jurisdictions subject to minimum wage regulations, which may result in increased wages in the future. There is no assurance that we will be able to find such cost-effective locations, and even if we do, the costs of closing delivery locations and opening new customer engagement centers can adversely affect our financial results.

The adoption and implementation of new statutory and regulatory requirements for derivative transactions could have an adverse impact on our ability to hedge risks associated with our business.

We enter into forward and option contracts to hedge against the effect of foreign currency exchange rate fluctuations. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) provides for new statutory and regulatory requirements for derivative transactions, including foreign currency and interest rate hedging transactions. The Dodd-Frank Act requires the Commodities Futures and Trading Commission to promulgate rules relating to the Dodd-Frank Act. Until the rules relating to the Dodd-Frank Act are established, we cannot know how these regulations will affect us. The rules adopted by the Commodities Futures and Trading Commission may in the future impact our flexibility to execute strategic hedges to reduce foreign exchange and interest rate uncertainty and thus protect cash flows. In addition, the banks and other derivatives dealers who are our contractual counterparties will be required to comply with the Dodd-Frank Act’s new requirements. It is possible that the costs of such compliance will be passed on to customers such as us.

Risks Related to Our International Operations

Our international operations and expansion involve various risks.

We intend to continue to pursue growth opportunities in markets outside the United States. At December 31, 2016, our international operations were conducted from 34 customer engagement centers located in Sweden, Finland, Germany, Egypt, Scotland, Denmark, Norway, Hungary, Romania, The Philippines, the People’s Republic of China, India and Australia. Revenues from these international operations for the years ended December 31, 2016, 2015, and 2014, were 36.8%, 40.5%, and 39.9% of consolidated revenues, respectively. We also conduct business from 14 customer engagement centers located in Canada, Colombia, Costa Rica, El Salvador, Mexico and Brazil. International operations are subject to certain risks common to international activities, such as changes in foreign

governmental regulations, tariffs and taxes, import/export license requirements, the imposition of trade barriers, difficulties in staffing and managing international operations, political uncertainties, longer payment cycles, possible greater difficulties in accounts receivable collection, economic instability as well as political and country-specific risks.

Additionally, we have been granted tax holidays in The Philippines, Colombia, Costa Rica and El Salvador which expire at varying dates from 2019 through 2028. In some cases, the tax holidays expire without possibility of renewal. In other cases, we expect to renew these tax holidays, but there are no assurances from the respective foreign governments that they will renew them. This could potentially result in adverse tax consequences, the impact of which is not practicable to estimate due to the inherent complexity of estimating critical variables such as long-term future profitability, tax regulations and rates in the multi-national tax environment in which we operate. Any one or more of these factors could have an adverse effect on our international operations and, consequently, on our business, financial condition and results of operations. The tax holidays decreased the provision for income taxes by \$3.3 million, \$4.0 million and \$2.7 million for the years ended December 31, 2016, 2015 and 2014, respectively.

As of December 31, 2016, we had cash balances of approximately \$243.8 million held in international operations, most of which would be subject to additional taxes if repatriated to the United States. Determination of any unrecognized deferred tax liability related to investments in foreign subsidiaries is not practicable due to the inherent complexity of the multi-national tax environment in which we operate.

We conduct business in various foreign currencies and are therefore exposed to market risk from changes in foreign currency exchange rates and interest rates, which could impact our results of operations and financial condition. We are also subject to certain exposures arising from the translation and consolidation of the financial results of our foreign subsidiaries. We enter into foreign currency forward and option contracts to hedge against the effect of certain foreign currency exchange exposures. However, there can be no assurance that we can take actions to mitigate such exposure in the future, and if taken, that such actions will be successful or that future changes in currency exchange rates will not have a material adverse impact on our future operating results. A significant change in the value of the U.S. Dollar against the currency of one or more countries where we operate may have a material adverse effect on our financial condition and results of operations. Additionally, our hedging exposure to counterparty credit risks is not secured by any collateral. Although each of the counterparty financial institutions with which we place hedging contracts are investment grade rated by the national rating agencies as of the time of the placement, we can provide no assurances as to the financial stability of any of our counterparties. If a counterparty to one or more of our hedge transactions were to become insolvent, we would be an unsecured creditor and our exposure at the time would depend on foreign exchange rate movements relative to the contracted foreign exchange rate and whether any gains result that are not realized due to a counterparty default.

The fundamental shift in our industry toward global service delivery markets presents various risks to our business.

Clients continue to require blended delivery models using a combination of onshore and offshore support. Our offshore delivery locations include The Philippines, the People's Republic of China, India, Costa Rica, El Salvador, Mexico, Brazil and Colombia, and while we have operated in global delivery markets since 1996, there can be no assurance that we will be able to successfully conduct and expand such operations, and a failure to do so could have a material adverse effect on our business, financial condition, and results of operations. The success of our offshore operations will be subject to numerous factors, some of which are beyond our control, including general and regional economic conditions, prices for our services, competition, changes in regulation and other risks. In addition, as with all of our operations outside of the United States, we are subject to various additional political, economic and market uncertainties (see "Our international operations and expansion involve various risks"). Additionally, a change in the political environment in the United States or the adoption and enforcement of legislation and regulations curbing the use of offshore customer engagement solutions and services could have a material adverse effect on our business, financial condition and results of operations.

Our global operations expose us to numerous legal and regulatory requirements.

We provide services to our clients' customers in 20 countries around the world. Accordingly, we are subject to numerous legal regimes on matters such as taxation, government sanctions, content requirements, licensing, tariffs, government affairs, data privacy and immigration as well as internal and disclosure control obligations. In the U.S., as well as several of the other countries in which we operate, some of our services must comply with various laws and regulations regarding the method and timing of placing outbound telephone calls. Violations of these various

laws and regulations could result in liability for monetary damages, fines and/or criminal prosecution and unfavorable publicity. Changes in U.S. federal, state and international laws and regulations, specifically those relating to the outsourcing of jobs to foreign countries as well as recently enacted statutory and regulatory requirements related to derivative transactions, may adversely affect our ability to perform our services at our overseas facilities or could result in additional taxes on such services, or impact our flexibility to execute strategic hedges, thereby threatening or limiting our ability or the financial benefit to continue to serve certain markets at offshore locations, or the risks associated therewith.

Risks Related to Our Employees

Our operations are substantially dependent on our senior management.

Our success is largely dependent upon the efforts, direction and guidance of our senior management. Our growth and success also depend in part on our ability to attract and retain skilled employees and managers and on the ability of our executive officers and key employees to manage our operations successfully. We have entered into employment and non-competition agreements with our executive officers. The loss of any of our senior management or key personnel, or the inability to attract, retain or replace key management personnel in the future, could have a material adverse effect on our business, financial condition and results of operations.

Our inability to attract and retain experienced personnel may adversely impact our business.

Our business is labor intensive and places significant importance on our ability to recruit, train, and retain qualified technical and consultative professional personnel. We generally experience high turnover of our personnel and are continuously required to recruit and train replacement personnel as a result of a changing and expanding work force. Additionally, demand for qualified technical professionals conversant in multiple languages, including English, and/or certain technologies may exceed supply, as new and additional skills are required to keep pace with evolving computer technology. Our ability to locate and train employees is critical to achieving our growth objective. Our inability to attract and retain qualified personnel or an increase in wages or other costs of attracting, training, or retaining qualified personnel could have a material adverse effect on our business, financial condition and results of operations.

Health epidemics could disrupt our business and adversely affect our financial results.

Our customer engagement centers typically seat hundreds of employees in one location. Accordingly, an outbreak of a contagious infection in one or more of the markets in which we do business may result in significant worker absenteeism, lower asset utilization rates, voluntary or mandatory closure of our offices and delivery centers, travel restrictions on our employees, and other disruptions to our business. Any prolonged or widespread health epidemic could severely disrupt our business operations and have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Business Strategy

Our strategy of growing through selective acquisitions and mergers involves potential risks.

We evaluate opportunities to expand the scope of our services through acquisitions and mergers. We may be unable to identify companies that complement our strategies, and even if we identify a company that complements our strategies, we may be unable to acquire or merge with the company. Also, a decrease in the price of our common stock could hinder our growth strategy by limiting growth through acquisitions funded with SYKES' stock.

The actual integration of the company may result in additional and unforeseen expenses, and the full amount of anticipated benefits of the integration plan may not be realized. If we are not able to adequately address these challenges, we may be unable to fully integrate the acquired operations into our own, or to realize the full amount of anticipated benefits of the integration of the companies.

Our acquisition strategy involves other potential risks. These risks include:

- the inability to obtain the capital required to finance potential acquisitions on satisfactory terms;
- the diversion of our attention to the integration of the businesses to be acquired;
- the risk that the acquired businesses will fail to maintain the quality of services that we have historically provided;
- the need to implement financial and other systems and add management resources;
- the risk that key employees of the acquired business will leave after the acquisition;
- potential liabilities of the acquired business;
- unforeseen difficulties in the acquired operations;
- adverse short-term effects on our operating results;
- lack of success in assimilating or integrating the operations of acquired businesses within our business;
- the dilutive effect of the issuance of additional equity securities;
- the impairment of goodwill and other intangible assets involved in any acquisitions;
- the businesses we acquire not proving profitable;
- incurring additional indebtedness; and
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political, and regulatory risks associated with specific countries.

We may incur significant cash and non-cash costs in connection with the continued rationalization of assets resulting from acquisitions.

We may incur a number of non-recurring cash and non-cash costs associated with the continued rationalization of assets resulting from acquisitions relating to the closing of facilities and disposition of assets.

If our goodwill or amortizable intangible assets become impaired, we could be required to record a significant charge to earnings.

We recorded substantial goodwill and amortizable intangible assets as a result of the ICT, Alpine, Qelp and Clearlink acquisitions. We review our goodwill and amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We assess whether there has been an impairment in the value of goodwill at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include declines in stock price, market capitalization or cash flows and slower growth rates in our industry. We could be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets were determined, negatively impacting our results of operations.

Risks Related to Our Common Stock

Our organizational documents contain provisions that could impede a change in control.

Our Board of Directors is divided into three classes serving staggered three-year terms. The staggered Board of Directors and the anti-takeover effects of certain provisions contained in the Florida Business Corporation Act and in our Articles of Incorporation and Bylaws, including the ability of the Board of Directors to issue shares of preferred stock and to fix the rights and preferences of those shares without shareholder approval, may have the effect of delaying, deferring or preventing an unsolicited change in control. This may adversely affect the market price of our common stock or the ability of shareholders to participate in a transaction in which they might otherwise receive a premium for their shares.

The volatility of our stock price may result in loss of investment.

The trading price of our common stock has been and may continue to be subject to wide fluctuations over short and long periods of time. We believe that market prices of outsourced customer engagement services stocks in general have experienced volatility, which could affect the market price of our common stock regardless of our financial results or performance. We further believe that various factors such as general economic conditions, changes or volatility in the financial markets, changing market conditions in the outsourced customer engagement services industry, quarterly variations in our financial results, the announcement of acquisitions, strategic partnerships, or new product offerings, and changes in financial estimates and recommendations by securities analysts could cause the market price of our common stock to fluctuate substantially in the future.

Failure to adhere to laws, rules and regulations applicable to public companies operating in the U.S. may have an adverse effect on our stock price.

Because we are a publicly-traded company, we are subject to certain evolving and extensive federal, state and other rules and regulations relating to, among other things, assessment and maintenance of internal controls and corporate governance. Section 404 of the Sarbanes-Oxley Act of 2002, together with rules and regulations issued by the Securities and Exchange Commission (“SEC”) require us to furnish, on an annual basis, a report by our management (included elsewhere in this Annual Report on Form 10-K) regarding the effectiveness of our internal control over financial reporting. The report includes, among other things, an assessment of the effectiveness of our internal controls over financial reporting as of the end of our fiscal year and a statement as to whether or not our internal controls over financial reporting are effective. We must include a disclosure of any material weaknesses in our internal control over financial reporting identified by management during the annual assessment. We have in the past discovered, and may potentially in the future discover, areas of internal control over financial reporting which may require improvement. If at any time we are unable to assert that our internal controls over financial reporting are effective, or if our auditors are unable to express an opinion on the effectiveness of our internal controls, our investors could lose confidence in the accuracy and/or completeness of our financial reports, which could have an adverse effect on our stock price.

Additionally, the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in 2010 subjects us to significant additional executive compensation and corporate governance requirements and disclosures, some of which have yet to be implemented by the SEC. Compliance with these requirements may be costly and adversely affect our business.

Item 1B. Unresolved Staff Comments

There are no material unresolved written comments that were received from the SEC staff 180 days or more before the year ended December 31, 2016 relating to our periodic or current reports filed under the Securities Exchange Act of 1934.

Item 2. Properties

Our principal executive offices are located in Tampa, Florida, which consist of approximately 68,000 square feet of leased office space. This facility currently serves as the headquarters for senior management and the financial, information technology and administrative departments. In addition to our headquarters and the customer engagement centers (“centers”) used by our Americas and EMEA segments discussed below, we also have offices in several countries around the world which support our Americas and EMEA segments.

As of December 31, 2016, excluding centers we have exited, we operated one fulfillment location and 74 multi-client centers. Our multi-client centers were located in the following countries:

	Multi-Client Centers
Americas	
Australia	3
Brazil	2
Canada	4
Colombia	1
Costa Rica	5
El Salvador	1
India	2
Mexico	1
People's Republic of China	3
The Philippines	6
United States of America	26
Total Americas centers	<u>54</u>
EMEA	
Denmark	1
Egypt	1
Finland	1
Germany	5
Hungary	1
Norway	1
Romania	3
Scotland	2
Sweden	5
Total EMEA centers	<u>20</u>
Total centers	<u><u>74</u></u>

We believe our existing facilities are suitable and adequate to meet current requirements, and that suitable additional or substitute space will be available as needed to accommodate any physical expansion or any space required due to expiring leases not renewed. We operate from time to time in temporary facilities to accommodate growth before new centers are available. At December 31, 2016, our centers, taken as a whole, were utilized at average capacities of approximately 75% and were capable of supporting a higher level of market demand.

Item 3. Legal Proceedings

From time to time, we are involved in legal actions arising in the ordinary course of business. With respect to these matters, we believe that we have adequate legal defenses and/or when possible and appropriate, have provided adequate accruals related to those matters such that the ultimate outcome will not have a material adverse effect on our future financial position or results of operations.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

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

Our common stock is quoted on the NASDAQ Global Select Market under the symbol SYKE. The following table sets forth, for the periods indicated, certain information as to the high and low intraday sale prices per share of our common stock as quoted on the NASDAQ Global Select Market.

	High	Low
Year Ended December 31, 2016:		
Fourth Quarter	\$ 30.00	\$ 25.77
Third Quarter	31.37	26.00
Second Quarter	30.82	27.22
First Quarter	30.76	27.36
 Year Ended December 31, 2015:		
Fourth Quarter	\$ 33.00	\$ 24.91
Third Quarter	26.00	22.48
Second Quarter	26.04	23.59
First Quarter	24.91	22.02

Holders of our common stock are entitled to receive dividends out of the funds legally available when and if declared by the Board of Directors. We have not declared or paid any cash dividends on our common stock in the past and do not anticipate paying any cash dividends in the foreseeable future.

As of February 1, 2017, there were approximately 840 holders of record of our common stock and we estimate there were approximately 9,600 beneficial owners.

Below is a summary of stock repurchases for the quarter ended December 31, 2016 (in thousands, except average price per share).

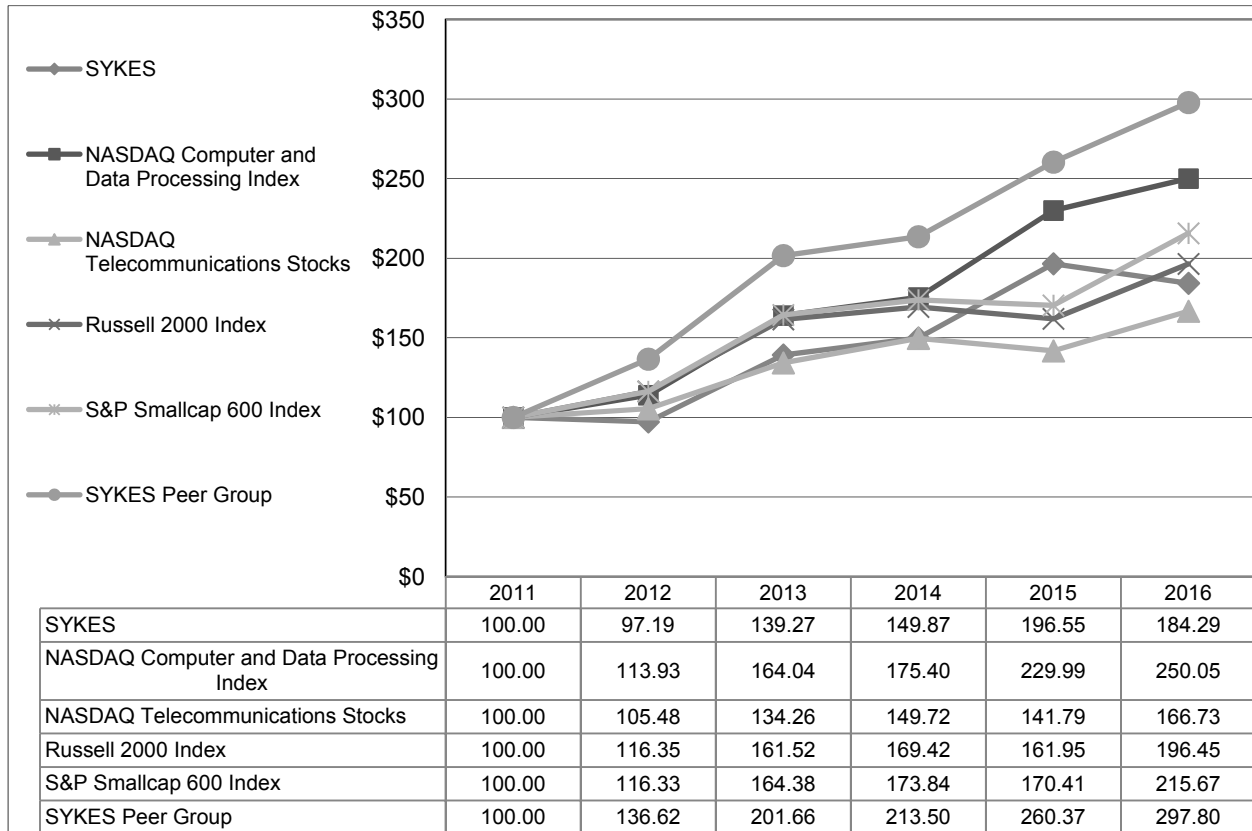
Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under Plans or Programs
October 1, 2016 - October 31, 2016	-	\$ -	-	4,998
November 1, 2016 - November 30, 2016	-	\$ -	-	4,998
December 1, 2016 - December 31, 2016	250	\$ 28.08	250	4,748
Total	250		250	4,748

⁽¹⁾ All shares purchased as part of the repurchase plan publicly announced on August 18, 2011, as amended on March 16, 2016, which allows for a total repurchase of 10.0 million shares. The 2011 Share Repurchase Plan has no expiration date.

Five-Year Stock Performance Graph

The following graph presents a comparison of the cumulative shareholder return on the common stock with the cumulative total return on the NASDAQ Computer and Data Processing Services Index, the NASDAQ Telecommunications Index, the Russell 2000 Index, the S&P Small Cap 600 and the SYKES Peer Group (as defined below). The SYKES Peer Group is comprised of publicly traded companies that derive a substantial portion of their revenues from engagement centers, customer care businesses, have similar business models to SYKES, and are those most commonly compared to SYKES by industry analysts following SYKES. This graph assumes that \$100 was invested on December 31, 2011 in SYKES common stock, the NASDAQ Computer and Data Processing Services Index, the NASDAQ Telecommunications Index, the Russell 2000 Index, the S&P Small Cap 600 and SYKES Peer Group, including reinvestment of dividends.

Comparison of Five-Year Cumulative Total Return (in dollars)



SYKES Peer Group

Convergys Corp.
 StarTek, Inc.
 TeleTech Holdings, Inc.
 Teleperformance

Exchange & Ticker Symbol

NYSE: CVG
 NYSE: SRT
 NASDAQ: TTEC
 NYSE Euronext: RCF

There can be no assurance that SYKES' stock performance will continue into the future with the same or similar trends depicted in the graph above. SYKES does not make or endorse any predictions as to the future stock performance.

The information contained in the Stock Performance Graph section shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Exchange Act of 1934.

Item 6. Selected Financial Data

Selected Financial Data

The following selected financial data has been derived from our consolidated financial statements.

We sold our operations in Spain during 2012. Accordingly, we have reclassified the selected financial data for all periods presented to reflect these results as discontinued operations in accordance with Accounting Standards Codification 205-20 “Discontinued Operations”.

The information below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the accompanying Consolidated Financial Statements and related notes thereto.

(in thousands, except per share data)	Years Ended December 31,				
	2016	2015	2014	2013	2012
Income Statement Data: ⁽¹⁾					
Revenues	\$ 1,460,037	\$ 1,286,340	\$ 1,327,523	\$ 1,263,460	\$ 1,127,698
Income from continuing operations ^(2,3,4,5,6,7,8)	92,248	94,264	79,555	53,527	47,779
Income from continuing operations, net of taxes ^(2,3,4,5,6,7,8)	62,390	68,597	57,791	37,260	39,950
(Loss) from discontinued operations, net of taxes ⁽⁸⁾	-	-	-	-	(820)
(Loss) on sale of discontinued operations, net of taxes ⁽⁹⁾	-	-	-	-	(10,707)
Net income	62,390	68,597	57,791	37,260	28,423
Net Income (Loss) Per Common Share: ⁽¹⁾					
Basic:					
Continuing operations ^(2,3,4,5,6,7)	\$ 1.49	\$ 1.64	\$ 1.36	\$ 0.87	\$ 0.93
Discontinued operations ^(8,9)	-	-	-	-	(0.27)
Net income (loss) per common share	\$ 1.49	\$ 1.64	\$ 1.36	\$ 0.87	\$ 0.66
Diluted:					
Continuing operations ^(2,3,4,5,6,7)	\$ 1.48	\$ 1.62	\$ 1.35	\$ 0.87	\$ 0.93
Discontinued operations ^(8,9)	-	-	-	-	(0.27)
Net income (loss) per common share	\$ 1.48	\$ 1.62	\$ 1.35	\$ 0.87	\$ 0.66
Weighted Average Common Shares: ⁽¹⁾					
Basic	41,847	41,899	42,609	42,877	43,105
Diluted	42,239	42,447	42,814	42,925	43,148
Balance Sheet Data: ^(1,10)					
Total assets	\$ 1,236,403	\$ 947,772	\$ 944,500	\$ 950,261	\$ 908,689
Long-term debt	267,000	70,000	75,000	98,000	91,000
Shareholders' equity	724,522	678,680	658,218	635,704	606,264

⁽¹⁾ The amounts for 2016 include the Clearlink acquisition completed on April 1, 2016. The amounts for 2016 and 2015 include the Qelp acquisition completed on July 2, 2015. See Note 2, Acquisitions, for further information. The amounts for 2016, 2015, 2014, 2013 and 2012 include the Alpine acquisition completed on August 20, 2012.

⁽²⁾ The amounts for 2016 include \$4.6 million in Clearlink acquisition-related costs, a \$2.3 million net gain on contingent consideration, \$0.8 million in interest accretion on contingent consideration and a \$0.3 million net loss on disposal of property and equipment.

⁽³⁾ The amounts for 2015 include a \$0.9 million net gain on insurance settlement, \$0.6 million loss on liquidation of a foreign subsidiary, \$0.5 million in Qelp acquisition-related costs, \$0.4 million in interest accretion on contingent consideration and a \$0.4 million net loss on disposal of property and equipment.

⁽⁴⁾ The amounts for 2014 include a \$2.0 million net gain on disposal of property and equipment primarily due to the sale of the land and building in Bismarck, North Dakota and a \$0.1 million impairment of long-lived assets.

⁽⁵⁾ The amounts for 2013 include \$2.1 million in Alpine acquisition-related costs and a \$0.2 million net loss on disposal of property and equipment.

⁽⁶⁾ The amounts for 2012 include \$4.8 million in Alpine acquisition-related costs, a \$0.4 million net loss on the disposal of property and equipment, a \$0.1 million net gain on insurance settlement and a \$0.4 million impairment of long-lived assets.

⁽⁷⁾ The amounts for 2014, 2013 and 2012 include \$(0.3) million, \$0.3 million and \$1.8 million, respectively, related to the Exit Plans. See Note 3, Costs Associated with Exit or Disposal Activities, for further information.

⁽⁸⁾ The amount includes the operations in Spain which were sold in 2012.

⁽⁹⁾ The amount includes the gain (loss) on sale of the operations in Spain in 2012.

⁽¹⁰⁾ The Company has not declared cash dividends per common share for any of the five years presented.

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

This discussion should be read in conjunction with the accompanying Consolidated Financial Statements and the notes thereto that appear elsewhere in this Annual Report on Form 10-K. The following discussion and analysis compares the year ended December 31, 2016 (“2016”) to the year ended December 31, 2015 (“2015”), and 2015 to the year ended December 31, 2014 (“2014”).

The following discussion and analysis and other sections of this document contain forward-looking statements that involve risks and uncertainties. Words such as “may,” “expects,” “projects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” variations of such words, and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe our future plans, objectives, or goals also are forward-looking statements. Future events and actual results could differ materially from the results reflected in these forward-looking statements, as a result of certain of the factors set forth below and elsewhere in this analysis and in this Annual Report on Form 10-K for the year ended December 31, 2016 in Item 1.A., “Risk Factors.”

Executive Summary

We provide comprehensive inbound customer engagement solutions and services to Global 2000 companies primarily in the communications, financial services, technology/consumer, transportation and leisure, healthcare, retail and other industries. We serve our clients through two geographic operating regions: the Americas (United States, Canada, Latin America, Australia and the Asia Pacific Rim) and EMEA (Europe, the Middle East and Africa). Our Americas and EMEA groups primarily provide customer engagement services (with an emphasis on inbound technical support, digital marketing and demand generation, and customer service), which include customer assistance, healthcare and roadside assistance, technical support, and product and service sales to our clients’ customers. These services, which represented 99.2% of consolidated revenues in 2016, are delivered through multiple communication channels encompassing phone, e-mail, social media, text messaging, chat and digital self-service. We also provide various enterprise support services in the United States (“U.S.”) that include services for our clients’ internal support operations, from technical staffing services to outsourced corporate help desk services. In Europe, we also provide fulfillment services, which includes order processing, payment processing, inventory control, product delivery, and product returns handling. Our complete service offering helps our clients acquire, retain and increase the lifetime value of their customer relationships. We have developed an extensive global reach with customer engagement centers throughout the United States, Canada, Europe, Latin America, Australia, the Asia Pacific Rim and Africa.

Revenues from these services is recognized as the services are performed, which is based on either a per minute, per hour, per call, per transaction or per time and material basis, under a fully executed contractual agreement, and we record reductions to revenues for contractual penalties and holdbacks for a failure to meet specified minimum service levels and other performance based contingencies. Revenue recognition is limited to the amount that is not contingent upon delivery of any future product or service or meeting other specified performance conditions. Product sales, accounted for within our fulfillment services, are recognized upon shipment to the customer and satisfaction of all obligations.

Direct salaries and related costs include direct personnel compensation, severance, statutory and other benefits associated with such personnel and other direct costs associated with providing services to customers.

General and administrative costs include administrative, sales and marketing, occupancy and other costs.

Depreciation, net represents depreciation on property and equipment, net of the amortization of deferred property grants.

Amortization of intangibles represents amortization of finite-lived intangible assets.

The net gain (loss) on disposal of property and equipment represents the difference between the amount of proceeds received, if any, and the carrying value of the asset.

Interest income primarily relates to interest earned on cash and cash equivalents.

Interest (expense) includes interest on outstanding borrowings, commitment fees charged on the unused portion of our revolving credit facility and contingent consideration, as more fully described in this Item 7, under “Liquidity and Capital Resources.”

Other (expense) includes gains and losses on foreign currency derivative instruments not designated as hedges, foreign currency transaction gains and losses, gains and losses on the liquidation of foreign subsidiaries and other miscellaneous income (expense).

Our effective tax rate for the periods presented includes the effects of state income taxes, net of federal tax benefit, tax holidays, valuation allowance changes, foreign rate differentials, foreign withholding and other taxes, and permanent differences.

Acquisition of Clearlink

In April 2016, we completed the acquisition of Clear Link Holdings, LLC (“Clearlink”), to expand our suite of service offerings while creating differentiation in the marketplace, broadening our addressable market opportunity and extending executive level reach within our existing clients’ organization. We refer to such acquisition herein as the “Clearlink acquisition.”

The total purchase price of \$207.9 million was funded by borrowings under our existing credit facility.

The results of operations of Clearlink have been reflected in the accompanying Consolidated Statement of Operations since April 1, 2016.

Acquisition of Qelp

In July 2015, we completed the acquisition of Qelp B.V. and its subsidiary (together, known as “Qelp”), to further broaden and strengthen our service portfolio around digital self-service customer support and extend our reach into adjacent, but complementary, markets. We refer to such acquisition herein as the “Qelp acquisition.”

The total purchase price of \$15.8 million was funded by \$9.8 million in cash on hand and contingent consideration with a fair value of \$6.0 million as of July 2, 2015.

The results of operations of Qelp have been reflected in the accompanying Consolidated Statements of Operations since July 2, 2015.

Results of Operations

The following table sets forth, for the years indicated, the amounts reflected in the accompanying Consolidated Statements of Operations as well as the changes between the respective years:

(in thousands)	Years Ended December 31,				
	2016	2015	2016 \$ Change	2014	2015 \$ Change
Revenues	\$ 1,460,037	\$ 1,286,340	\$ 173,697	\$ 1,327,523	\$ (41,183)
Operating expenses:					
Direct salaries and related costs	947,677	836,516	111,161	892,110	(55,594)
General and administrative	351,408	297,257	54,151	298,129	(872)
Depreciation, net	49,013	43,752	5,261	45,363	(1,611)
Amortization of intangibles	19,377	14,170	5,207	14,396	(226)
Net (gain) loss on disposal of property and equipment	314	381	(67)	(2,030)	2,411
Total operating expenses	<u>1,367,789</u>	<u>1,192,076</u>	<u>175,713</u>	<u>1,247,968</u>	<u>(55,892)</u>
Income from operations	<u>92,248</u>	<u>94,264</u>	<u>(2,016)</u>	<u>79,555</u>	<u>14,709</u>
Other income (expense):					
Interest income	607	668	(61)	958	(290)
Interest (expense)	(5,570)	(2,465)	(3,105)	(2,011)	(454)
Other (expense)	1,599	(2,484)	4,083	(1,343)	(1,141)
Total other income (expense)	<u>(3,364)</u>	<u>(4,281)</u>	<u>917</u>	<u>(2,396)</u>	<u>(1,885)</u>
Income before income taxes	<u>88,884</u>	<u>89,983</u>	<u>(1,099)</u>	<u>77,159</u>	<u>12,824</u>
Income taxes	<u>26,494</u>	<u>21,386</u>	<u>5,108</u>	<u>19,368</u>	<u>2,018</u>
Net income	<u>\$ 62,390</u>	<u>\$ 68,597</u>	<u>\$ (6,207)</u>	<u>\$ 57,791</u>	<u>\$ 10,806</u>

The following table sets forth, for the years indicated, the amounts presented in the accompanying Consolidated Statements of Operations as a percentage of revenues:

	Years Ended December 31,		
	2016	2015	2014
Percentage of Revenue:			
Revenues	100.0%	100.0%	100.0%
Direct salaries and related costs	64.9	65.0	67.2
General and administrative	24.1	23.1	22.5
Depreciation, net	3.4	3.4	3.4
Amortization of intangibles	1.3	1.1	1.1
Net (gain) loss on disposal of property and equipment	0.0	0.0	(0.2)
Income from operations	6.3	7.4	6.0
Interest income	0.0	0.0	0.1
Interest (expense)	(0.4)	(0.2)	(0.2)
Other income (expense)	0.2	(0.2)	(0.1)
Income before income taxes	6.1	7.0	5.8
Income taxes	1.8	1.7	1.5
Net income	4.3%	5.3%	4.3%

2016 Compared to 2015

Revenues

	Years Ended December 31,				
	2016		2015		\$ Change
	Amount	% of Revenues	Amount	% of Revenues	
(in thousands)					
Americas	\$ 1,220,818	83.6%	\$ 1,045,415	81.3%	\$ 175,403
EMEA	239,089	16.4%	240,826	18.7%	(1,737)
Other	130	0.0%	99	0.0%	31
Consolidated	\$ 1,460,037	100.0%	\$ 1,286,340	100.0%	\$ 173,697

Consolidated revenues increased \$173.7 million, or 13.5%, in 2016 from 2015.

The increase in Americas' revenues was primarily due to Clearlink acquisition revenues of \$123.3 million, higher volumes from existing clients of \$92.9 million and new client sales of \$8.5 million, partially offset by end-of-life client programs of \$36.6 million and the negative foreign currency impact of \$12.7 million. Revenues from our offshore operations represented 41.2% of Americas' revenues, compared to 44.5% in 2015.

The decrease in EMEA's revenues was primarily due to end-of-life client programs of \$8.2 million and the negative foreign currency impact of \$8.1 million, partially offset by higher volumes from existing clients of \$11.0 million and new client sales of \$3.6 million.

On a consolidated basis, we had 47,700 brick-and-mortar seats as of December 31, 2016, an increase of 6,600 seats from 2015. Included in this seat count are 1,300 seats associated with Clearlink. This increase in seats, net of Clearlink additions, was primarily due to seat additions to support higher projected demand. The capacity utilization rate on a combined basis was 75% in 2016, compared to 79% in 2015. This decrease was due to a significant increase in the seat count related to projected client demand.

On a geographic segment basis, 41,200 seats were located in the Americas, an increase of 6,100 seats from 2015, and 6,500 seats were located in EMEA, an increase of 500 seats from 2015. The capacity utilization rate for the Americas in 2016 was 74%, compared to 79% in 2015, down primarily due to seat additions for higher projected demand. The capacity utilization rate for EMEA in 2016 was 80%, compared to 85% in 2015, down primarily due to lower demand in certain existing clients, certain end-of-life client programs and the rationalization of seats in a highly utilized center due to a planned program expiration. We strive to attain a capacity utilization of 85% at each of our locations.

Excluding Clearlink, we added 7,000 seats on a gross basis in 2016, with total seat count on a net basis for the full year increasing by 5,300 in 2016 versus 2015.

Direct Salaries and Related Costs

	Years Ended December 31,					
	2016		2015		\$ Change	Change in % of Revenues
	Amount	% of Revenues	Amount	% of Revenues		
(in thousands)						
Americas	\$ 779,183	63.8%	\$ 664,976	63.6%	\$ 114,207	0.2%
EMEA	168,494	70.5%	171,540	71.2%	(3,046)	-0.7%
Consolidated	\$ 947,677	64.9%	\$ 836,516	65.0%	\$ 111,161	-0.1%

The increase of \$111.2 million in direct salaries and related costs included a positive foreign currency impact of \$13.2 million in the Americas and a positive foreign currency impact of \$5.2 million in EMEA.

The increase in Americas' direct salaries and related costs, as a percentage of revenues, was primarily attributable to higher customer-acquisition advertising costs of 2.3% in connection with Clearlink's operations and higher recruiting costs of 0.2%, partially offset by lower compensation costs of 1.3% driven by Clearlink's operations which has lower direct labor costs relative to our mix of business in the prior period, lower communication costs of 0.4%, lower auto tow claim costs of 0.3% and lower other costs of 0.3%.

The decrease in EMEA's direct salaries and related costs, as a percentage of revenues, was primarily attributable to lower fulfillment materials costs of 2.2% driven by lower demand in an existing client program and lower postage costs of 0.6%, partially offset by higher compensation costs of 2.0% driven by a decrease in agent productivity principally within the technology vertical in the current period and higher other costs of 0.1%.

General and Administrative

	Years Ended December 31,					
	2016		2015		\$ Change	Change in % of Revenues
	Amount	% of Revenues	Amount	% of Revenues		
(in thousands)						
Americas	\$ 240,517	19.7%	\$ 192,933	18.5%	\$ 47,584	1.2%
EMEA	46,639	19.5%	49,025	20.4%	(2,386)	-0.9%
Other	64,252	-	55,299	-	8,953	-
Consolidated	\$ 351,408	24.1%	\$ 297,257	23.1%	\$ 54,151	1.0%

The increase of \$54.2 million in general and administrative expenses included a positive foreign currency impact of \$3.7 million in the Americas and a positive foreign currency impact of \$2.0 million in EMEA.

The increase in Americas' general and administrative expenses, as a percentage of revenues, was primarily attributable to higher compensation costs of 0.9% and higher other costs of 0.5%, partially offset by a reduction in technology costs of 0.2% allocated from corporate.

The decrease in EMEA's general and administrative expenses, as a percentage of revenues, was primarily attributable to a gain on settlement of Qelp's contingent consideration of 1.1%, lower facility-related costs of 0.6% and lower other costs of 0.2%, partially offset by higher compensation costs of 0.6%, higher consulting costs of 0.2% and higher recruiting costs of 0.2%.

The increase of \$9.0 million in Other general and administrative expenses, which includes corporate and other costs, was primarily attributable to higher merger and integration costs of \$4.0 million, higher compensation costs of \$2.6 million, a reduction in technology costs of \$1.9 million allocated to the Americas, higher software maintenance costs of \$0.5 million and higher consulting costs of \$0.3 million, partially offset by lower other costs of \$0.3 million.

Depreciation, Amortization and Net (Gain) Loss on Disposal of Property and Equipment

(in thousands)	Years Ended December 31,					
	2016		2015		\$ Change	Change in % of Revenues
	Amount	% of Revenues	Amount	% of Revenues		
Depreciation, net:						
Americas	\$ 42,436	3.5%	\$ 37,842	3.6%	\$ 4,594	-0.1%
EMEA	4,532	1.9%	4,559	1.9%	(27)	0.0%
Other	2,045	-	1,351	-	694	-
Consolidated	<u>\$ 49,013</u>	<u>3.4%</u>	<u>\$ 43,752</u>	<u>3.4%</u>	<u>\$ 5,261</u>	<u>0.0%</u>
Amortization of intangibles:						
Americas	\$ 18,329	1.5%	\$ 13,648	1.3%	\$ 4,681	0.2%
EMEA	1,048	0.4%	522	0.2%	526	0.2%
Other	-	-	-	-	-	-
Consolidated	<u>\$ 19,377</u>	<u>1.3%</u>	<u>\$ 14,170</u>	<u>1.1%</u>	<u>\$ 5,207</u>	<u>0.2%</u>
Net (gain) loss on disposal of property and equipment:						
Americas	\$ 222	0.0%	\$ 573	0.1%	\$ (351)	-0.1%
EMEA	(4)	0.0%	(156)	-0.1%	152	0.1%
Other	96	-	(36)	-	132	-
Consolidated	<u>\$ 314</u>	<u>0.0%</u>	<u>\$ 381</u>	<u>0.0%</u>	<u>\$ (67)</u>	<u>0.0%</u>

The increase in depreciation was primarily due to new depreciable fixed assets placed into service supporting site expansions as well as the addition of depreciable fixed assets acquired in conjunction with the April 2016 Clearlink acquisition, partially offset by certain fully depreciated fixed assets.

The increase in amortization was primarily due to the addition of intangible assets acquired in conjunction with the April 2016 Clearlink acquisition and the July 2015 Qelp acquisition, partially offset by certain fully amortized intangible assets.

Other Income (Expense)

(in thousands)	Years Ended December 31,		
	2016	2015	\$ Change
Interest income	<u>\$ 607</u>	<u>\$ 668</u>	<u>\$ (61)</u>
Interest (expense)	<u>\$ (5,570)</u>	<u>\$ (2,465)</u>	<u>\$ (3,105)</u>
Other income (expense):			
Foreign currency transaction gains (losses)	\$ 3,348	\$ (2,924)	\$ 6,272
Gains (losses) on foreign currency derivative instruments not designated as hedges	(2,270)	1,374	(3,644)
Gains (losses) on liquidation of foreign subsidiaries	-	(647)	647
Other miscellaneous income (expense)	521	(287)	808
Total other income (expense)	<u>\$ 1,599</u>	<u>\$ (2,484)</u>	<u>\$ 4,083</u>

Interest income remained consistent with the prior year.

The increase in interest (expense) was primarily due to \$216.0 million in borrowings used to acquire Clearlink in April 2016.

The (loss) on liquidation of foreign subsidiaries in 2015 was due to the substantial liquidation of operations in a foreign entity. The increase in other miscellaneous income (expense) was primarily due to the net investment income (losses) related to the investments held in rabbi trust. See Note 11, Investments Held in Rabbi Trust, of "Notes to Consolidated Financial Statements" for further information.

Income Taxes

(in thousands)	Years Ended December 31,		\$ Change
	2016	2015	
Income before income taxes	\$ 88,884	\$ 89,983	\$ (1,099)
Income taxes	\$ 26,494	\$ 21,386	\$ 5,108
Effective tax rate	29.8%	23.8%	6.0%

The increase in the effective tax rate in 2016 compared to 2015 is primarily due to the recognition in the prior period of a \$2.2 million previously unrecognized tax benefit, inclusive of penalties and interest, 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 the current financial position and results of operations for the current and preceding years. The increase in the effective tax rate was also affected by several additional factors, including increases in state taxation along with shifts in earnings among the various jurisdictions in which we operate, none of which are individually material.

2015 Compared to 2014

Revenues

(in thousands)	Years Ended December 31,				\$ Change
	2015		2014		
	Amount	% of Revenues	Amount	% of Revenues	
Americas	\$ 1,045,415	81.3%	\$ 1,070,824	80.7%	\$ (25,409)
EMEA	240,826	18.7%	256,699	19.3%	(15,873)
Other	99	0.0%	-	0.0%	99
Consolidated	\$ 1,286,340	100.0%	\$ 1,327,523	100.0%	\$ (41,183)

Consolidated revenues decreased \$41.2 million, or 3.1%, in 2015 from 2014.

The decrease in Americas' revenues was primarily due to end-of-life client programs of \$82.1 million and the negative foreign currency impact of \$23.6 million, partially offset by higher volumes from existing clients of \$67.3 million and new client sales of \$13.0 million. Revenues from our offshore operations represented 44.5% of Americas' revenues, compared to 38.9% in 2014.

The decrease in EMEA's revenues was primarily due to the negative foreign currency impact of \$43.4 million and end-of-life client programs of \$4.5 million, partially offset by higher volumes from existing clients of \$26.6 million and new client sales of \$5.4 million.

On a consolidated basis, we had 41,100 brick-and-mortar seats as of December 31, 2015, an increase of 100 seats from 2014. The capacity utilization rate on a combined basis remained unchanged at 79% in 2015 and 2014.

On a geographic segment basis, 35,100 seats were located in the Americas, an increase of 600 seats from 2014, and 6,000 seats were located in EMEA, a decrease of 500 seats from 2014. The capacity utilization rate for the Americas as of December 31, 2015 was 79%, compared to 77% as of December 31, 2014, up primarily due to growth within new and existing clients. The capacity utilization rate for EMEA as of December 31, 2015 was 85%, compared to 90% as of December 31, 2014, down primarily due to lower demand in certain existing clients and the rationalization of seats in a highly utilized center due to a planned program expiration. We strive to attain a capacity utilization of 85% at each of our locations.

Direct Salaries and Related Costs

(in thousands)	Years Ended December 31,					
	2015		2014		\$ Change	Change in % of Revenues
	Amount	% of Revenues	Amount	% of Revenues		
Americas	\$ 664,976	63.6%	\$ 707,181	66.0%	\$ (42,205)	-2.4%
EMEA	171,540	71.2%	184,929	72.0%	(13,389)	-0.8%
Consolidated	<u>\$ 836,516</u>	65.0%	<u>\$ 892,110</u>	67.2%	<u>\$ (55,594)</u>	-2.2%

The decrease of \$55.6 million in direct salaries and related costs included a positive foreign currency impact of \$25.8 million in the Americas and a positive foreign currency impact of \$31.0 million in EMEA.

The decrease in Americas' direct salaries and related costs, as a percentage of revenues, was primarily attributable to lower compensation costs of 2.2% driven by increased agent productivity within the communications, financial services and technology verticals in the current period, and lower communication costs of 0.2%.

The decrease in EMEA's direct salaries and related costs, as a percentage of revenues, was primarily attributable to lower compensation costs of 1.7% driven by increased agent productivity in the current period combined with the ramp up in the prior period for new and existing client programs principally in the communications vertical, lower billable supply costs of 0.4%, lower postage costs of 0.3% and lower other costs of 0.2%, partially offset by higher fulfillment materials costs of 1.8% driven by higher demand in a new client program.

General and Administrative

(in thousands)	Years Ended December 31,					
	2015		2014		\$ Change	Change in % of Revenues
	Amount	% of Revenues	Amount	% of Revenues		
Americas	\$ 192,933	18.5%	\$ 197,167	18.4%	\$ (4,234)	0.1%
EMEA	49,025	20.4%	50,760	19.8%	(1,735)	0.6%
Other	55,299	-	50,202	-	5,097	-
Consolidated	<u>\$ 297,257</u>	23.1%	<u>\$ 298,129</u>	22.5%	<u>\$ (872)</u>	0.6%

The decrease of \$0.9 million in general and administrative expenses included a positive foreign currency impact of \$6.0 million in the Americas and a positive foreign currency impact of \$8.7 million in EMEA.

The increase in Americas' general and administrative expenses, as a percentage of revenues, was primarily attributable to higher compensation costs of 0.2% and higher other costs of 0.3%, partially offset by lower legal and professional fees of 0.3% and lower communication costs of 0.1%.

The increase in EMEA's general and administrative expenses, as a percentage of revenues, was primarily attributable to higher facility-related costs of 0.2%, higher severance costs of 0.2% and higher consulting costs of 0.2%.

The increase of \$5.1 million in Other general and administrative expenses, which includes corporate and other costs, was primarily attributable to higher compensation costs of \$4.3 million, higher consulting costs of \$1.2 million, higher software maintenance costs of \$1.0 million, higher travel costs of \$0.7 million and higher merger and integration costs of \$0.5 million, partially offset by lower charitable contributions costs of \$1.4 million and lower other costs of \$1.2 million.

Depreciation, Amortization and Net (Gain) Loss on Disposal of Property and Equipment

(in thousands)	Years Ended December 31,					
	2015		2014		\$ Change	Change in % of Revenues
	Amount	% of Revenues	Amount	% of Revenues		
Depreciation, net:						
Americas	\$ 37,842	3.6%	\$ 40,557	3.8%	\$ (2,715)	-0.2%
EMEA	4,559	1.9%	4,806	1.9%	(247)	0.0%
Other	1,351	-	-	-	1,351	-
Consolidated	<u>\$ 43,752</u>	3.4%	<u>\$ 45,363</u>	3.4%	<u>\$ (1,611)</u>	0.0%
Amortization of intangibles:						
Americas	\$ 13,648	1.3%	\$ 14,396	1.3%	\$ (748)	0.0%
EMEA	522	0.2%	-	0.0%	522	0.2%
Other	-	-	-	-	-	-
Consolidated	<u>\$ 14,170</u>	1.1%	<u>\$ 14,396</u>	1.1%	<u>\$ (226)</u>	0.0%
Net (gain) loss on disposal of property and equipment:						
Americas	\$ 573	0.1%	\$ (2,026)	-0.2%	\$ 2,599	0.3%
EMEA	(156)	-0.1%	(4)	0.0%	(152)	-0.1%
Other	(36)	-	-	-	(36)	-
Consolidated	<u>\$ 381</u>	0.0%	<u>\$ (2,030)</u>	-0.2%	<u>\$ 2,411</u>	0.2%

The decrease in depreciation was primarily due to certain fully depreciated net fixed assets.

The decrease in amortization was primarily due to certain fully amortized intangible assets.

The net (gain) on disposal of property and equipment in 2014 primarily related to the sale of land, a building and fixed assets located in Bismarck, North Dakota. See Note 12, Property and Equipment, of “Notes to Consolidated Financial Statements” for further information.

Other Income (Expense)

(in thousands)	Years Ended December 31,		
	2015	2014	\$ Change
Interest income	<u>\$ 668</u>	<u>\$ 958</u>	<u>\$ (290)</u>
Interest (expense)	<u>\$ (2,465)</u>	<u>\$ (2,011)</u>	<u>\$ (454)</u>
Other income (expense):			
Foreign currency transaction gains (losses)	\$ (2,924)	\$ (1,740)	\$ (1,184)
Gains (losses) on foreign currency derivative instruments not designated as hedges	1,374	(44)	1,418
Gains (losses) on liquidation of foreign subsidiaries	(647)	-	(647)
Other miscellaneous income (expense)	(287)	441	(728)
Total other income (expense)	<u>\$ (2,484)</u>	<u>\$ (1,343)</u>	<u>\$ (1,141)</u>

The decrease in interest income reflects lower average interest rates on invested balances of interest-bearing investments in cash and cash equivalents in 2015 compared to 2014.

The increase in interest (expense) was primarily due to interest accretion on the contingent consideration related to the July 2015 Qelp acquisition.

The (loss) on liquidation of foreign subsidiaries in 2015 was due to the substantial liquidation of operations in a foreign entity. The decrease in other miscellaneous income (expense) was primarily due to the net investment income (losses) related to the investments held in rabbi trust. See Note 11, Investments Held in Rabbi Trust, of “Notes to Consolidated Financial Statements” for further information.

Income Taxes

(in thousands)	Years Ended December 31,		\$ Change
	2015	2014	
Income before income taxes	\$ 89,983	\$ 77,159	\$ 12,824
Income taxes	\$ 21,386	\$ 19,368	\$ 2,018
			% Change
Effective tax rate	23.8%	25.1%	-1.3%

The decrease in the effective tax rate in 2015 compared to 2014 is primarily due to the recognition of a \$2.2 million previously unrecognized tax benefit 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. This decrease was partially offset by a \$3.0 million increase in tax provision due to a \$12.6 million income increase in a high tax rate jurisdiction. The change in the effective tax rate was also affected by several other factors, including fluctuations in earnings among the various jurisdictions in which we operate, none of which are individually material.

Quarterly Results

The following information presents our unaudited quarterly operating results for 2016 and 2015. The data has been prepared on a basis consistent with the accompanying Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K, and includes all adjustments, consisting of normal recurring accruals, that we consider necessary for a fair presentation thereof.

(in thousands, except per share data)	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015	9/30/2015	6/30/2015	3/31/2015
Revenues	\$ 389,146	\$ 385,743	\$ 364,402	\$ 320,746	\$ 337,278	\$ 317,924	\$ 307,453	\$ 323,685
Operating expenses:								
Direct salaries and related costs	252,821	249,859	239,442	205,555	214,307	206,139	202,143	213,927
General and administrative ^(1,2,3)	88,770	87,863	94,285	80,490	79,337	72,647	72,566	72,707
Depreciation, net	13,265	13,004	11,960	10,784	10,748	10,938	11,007	11,059
Amortization of intangibles	5,233	5,254	5,263	3,627	3,666	3,638	3,435	3,431
Net (gain) loss on disposal of property and equipment ⁽⁴⁾	152	92	50	20	221	55	85	20
Total operating expenses	360,241	356,072	351,000	300,476	308,279	293,417	289,236	301,144
Income from operations	28,905	29,671	13,402	20,270	28,999	24,507	18,217	22,541
Other income (expense):								
Interest income	178	135	141	153	189	162	151	166
Interest (expense) ⁽⁵⁾	(1,603)	(1,578)	(1,581)	(808)	(938)	(478)	(610)	(439)
Other income (expense) ⁽⁶⁾	(1,002)	981	1,067	553	(617)	(871)	(167)	(829)
Total other income (expense)	(2,427)	(462)	(373)	(102)	(1,366)	(1,187)	(626)	(1,102)
Income before income taxes	26,478	29,209	13,029	20,168	27,633	23,320	17,591	21,439
Income taxes	8,450	7,939	3,891	6,214	7,597	3,310	4,679	5,800
Net income	\$ 18,028	\$ 21,270	\$ 9,138	\$ 13,954	\$ 20,036	\$ 20,010	\$ 12,912	\$ 15,639
Net income per common share ⁽⁷⁾ :								
Basic	\$ 0.43	\$ 0.51	\$ 0.22	\$ 0.33	\$ 0.48	\$ 0.48	\$ 0.31	\$ 0.37
Diluted	\$ 0.43	\$ 0.50	\$ 0.22	\$ 0.33	\$ 0.48	\$ 0.48	\$ 0.31	\$ 0.37
Weighted average shares:								
Basic	41,768	41,938	41,970	41,704	41,630	41,783	42,008	42,181
Diluted	42,114	42,224	42,101	42,023	42,117	42,084	42,216	42,440

⁽¹⁾ The quarters ended December 31, 2016, September 30, 2016, June 30, 2016 and March 31, 2016 include less than \$0.1 million, \$0.2 million, \$3.0 million and \$1.4 million in Clearlink acquisition-related costs, respectively. The quarter ended September 30, 2015 includes \$0.5 million in Qelp acquisition-related costs. See Note 2, Acquisitions, for further information.

⁽²⁾ The quarter ended December 31, 2016 includes a \$0.5 million loss on contingent consideration. The quarter ended September 30, 2016 includes a \$2.8 million (gain) on contingent consideration. See Note 4, Fair Value, for further information.

⁽³⁾ The quarter ended September 30, 2015 includes a \$0.9 million net (gain) on insurance settlement. See Note 12, Property and Equipment, for further information.

⁽⁴⁾ The quarter ended December 31, 2016 includes a \$0.2 million (gain) on the sale of fixed assets, land and building located in Morganfield, Kentucky. See Note 12, Property and Equipment, for further information.

⁽⁵⁾ The quarters ended December 31, 2016, September 30, 2016, June 30, 2016, March 31, 2016 and December 31, 2015 include less than \$(0.1) million, \$(0.2) million, \$(0.3) million, \$(0.2) million and \$(0.4) million of interest accretion on contingent consideration, respectively. See Note 4, Fair Value, for further information.

⁽⁶⁾ The quarter ended December 31, 2015 includes a \$(0.6) million loss on liquidation of a foreign subsidiary. See Note 26, Other Income (Expense), for further information.

⁽⁷⁾ Net income per basic and diluted common share is computed independently for each of the quarters presented and, therefore, may not sum to the total for the year.

Business Outlook

For the three months ended March 31, 2017, we anticipate the following financial results:

- Revenues in the range of \$380.0 million to \$385.0 million;
- Effective tax rate of approximately 31%;
- Fully diluted share count of approximately 42.0 million;
- Diluted earnings per share in the range of \$0.28 to \$0.32; and
- Capital expenditures in the range of \$13.0 million to \$18.0 million

For the twelve months ended December 31, 2017, we anticipate the following financial results:

- Revenues in the range of \$1,580.0 million to \$1,600.0 million;
- Effective tax rate of approximately 30%;
- Fully diluted share count of approximately 42.3 million;
- Diluted earnings per share in the range of \$1.59 to \$1.71; and
- Capital expenditures in the range of \$55.0 million to \$65.0 million

In 2017, we expect a continuation of the favorable underlying demand trends experienced in 2016. This underlying demand is being driven by growth with both existing and new clients across the Americas and EMEA. Specifically, the main drivers of growth remain the financial services, communications and technology verticals. Revenues in 2017 reflect an unfavorable impact of approximately \$25 million from foreign exchange rates relative to 2016. Given the broader macro-economic environment and the sustained demand growth, we have seen some imbalances in labor and wage dynamics, which we should be able to either mitigate or completely offset through a combination of actions, including some wage increases offset by lower attrition, wage pass-throughs, shifts in delivery strategies and productivity. As a result, our implicit operating margin and explicit diluted earnings per share assumptions reflect manageable macro-economic backdrop and operational progress related to staffing inefficiencies from significant capacity additions and sizeable program ramps in 2016.

Our revenues and earnings per share assumptions for the first quarter and full-year 2017 are based on foreign exchange rates as of February 2017. Therefore, the continued volatility in foreign exchange rates between the U.S. Dollar and the functional currencies of the markets we serve could have a further impact, positive or negative, on revenues and earnings per share relative to the business outlook for the first quarter and full-year, as discussed above.

We anticipate total other interest income (expense), net of approximately \$(1.5) million for the first quarter and \$(6.0) million for the full year 2017. These amounts include the interest accretion on the contingent consideration, which is expected to be less than \$(0.1) million in the first quarter of 2017 and approximately \$(0.1) million for the year. The amounts, however, exclude the potential impact of any future foreign exchange gains or losses in other income (expense).

Not included in this guidance is the impact of any future acquisitions, share repurchase activities or a potential sale of previously exited customer engagement centers.

Liquidity and Capital Resources

Our primary sources of liquidity are generally cash flows generated by operating activities and from available borrowings under our revolving credit facility. We utilize these capital resources to make capital expenditures associated primarily with our customer engagement services, invest in technology applications and tools to further develop our service offerings and for working capital and other general corporate purposes, including repurchase of our common stock in the open market and to fund acquisitions. In future periods, we intend similar uses of these funds.

On August 18, 2011, the Board authorized us to purchase up to 5.0 million shares of our outstanding common stock (the "2011 Share Repurchase Program"). On March 16, 2016, the Board authorized an increase of 5.0 million shares to the 2011 Share Repurchase Program, for a total of 10.0 million. A total of 5.3 million shares have been repurchased under the 2011 Share Repurchase Program since inception. The shares are purchased, from time to time, through open market purchases or in negotiated private transactions, and the purchases are based on factors,

including but not limited to, the stock price, management discretion and general market conditions. The 2011 Share Repurchase Program has no expiration date.

During 2016, cash increased \$130.7 million from operating activities, \$216.0 million from proceeds from the issuance of long-term debt, \$10.3 million from the settlement of the net investment hedge, \$2.1 million from excess tax benefits from stock-based compensation, \$0.6 million from proceeds from the sale of property and equipment, \$0.3 million release of restricted cash and \$0.2 million from proceeds from grants. The increase in cash was offset by \$205.3 million paid for the Clearlink acquisition (net of cash acquired), \$78.3 million used for capital expenditures, \$19.0 million to repay long-term debt, \$11.1 million to repurchase common stock, \$4.9 million to repurchase common stock for minimum tax withholding on equity awards, \$1.4 million payment of contingent consideration related to acquisitions and a \$0.5 million investment in restricted cash, resulting in a \$31.3 million increase in available cash (including the unfavorable effects of foreign currency exchange rates on cash and cash equivalents of \$8.4 million).

Net cash flows provided by operating activities for 2016 were \$130.7 million, compared to \$120.5 million in 2015. The \$10.2 million increase in net cash flows from operating activities was due to a net increase of \$10.2 million in cash flows from assets and liabilities and a \$6.2 million increase in non-cash reconciling items such as depreciation and amortization, net (gain) loss on disposal of property and equipment, impairment losses and unrealized foreign currency transaction (gains) losses, net, partially offset by a \$6.2 million decrease in net income. The \$10.2 million increase in cash flows from assets and liabilities was principally a result of a \$26.3 million increase in other liabilities, a \$10.7 million increase in taxes payable and a \$8.9 million increase in deferred revenue, partially offset by a \$35.4 million increase in accounts receivable and a \$0.3 million increase in other assets. The \$26.3 million increase in the change in other liabilities is primarily due to \$17.2 million related to the timing of accrued employee compensation and benefits, and \$6.7 million related to other accrued expenses and current liabilities principally due to an increase of \$4.5 million related to site expansions in 2016 over 2015. The \$35.4 million increase in the change in accounts receivable is primarily due to the timing of billings and collections in 2016 over 2015.

Capital expenditures, which are generally funded by cash generated from operating activities, available cash balances and borrowings available under our credit facilities, were \$78.3 million for 2016, compared to \$49.7 million for 2015, an increase of \$28.6 million. In 2017, we anticipate capital expenditures in the range of \$55.0 million to \$65.0 million, primarily for new seat additions, Enterprise Resource Planning upgrades, facility upgrades, maintenance and systems infrastructure.

On May 12, 2015, we 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 and Administrative Agent, Swing Line Lender and Issuing Lender (“KeyBank”). The 2015 Credit Agreement is subject to certain borrowing limitations and includes certain customary financial and restrictive covenants. At December 31, 2016, we were in compliance with all loan requirements of the 2015 Credit Agreement and had \$267.0 million of outstanding borrowings under this facility. On April 1, 2016, we borrowed \$216.0 million under our 2015 Credit Agreement in connection with the acquisition of Clearlink. See Note 2, Acquisitions, of “Notes to Consolidated Financial Statements” for further information.

Our credit agreements had an average daily utilization of \$222.6 million, \$70.0 million and \$85.9 million during the years ended December 31, 2016, 2015 and 2014, respectively. During the years ended December 31, 2016, 2015, and 2014, the related interest expense, including the commitment fee and excluding the amortization of deferred loan fees, was \$4.0 million, \$1.3 million and \$1.4 million, respectively, which represented weighted average interest rates of 1.8%, 1.9% and 1.7%, respectively.

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. We are not currently aware of any inability of our lenders to provide access to the full commitment of funds that exist under the 2015 Credit Agreement, if necessary. However, there can be no assurance that such facility will be available to us, even though it is a binding commitment of the financial institutions. The 2015 Credit Agreement will mature on May 12, 2020.

Borrowings under the 2015 Credit Agreement bear interest at the rates set forth in the 2015 Credit Agreement. In addition, we are required to pay certain customary fees, including a commitment fee determined quarterly based on our leverage ratio and 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 our 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 of our direct foreign subsidiaries and those of the guarantors.

We are currently under audit in several tax jurisdictions. We received assessments for the Canadian 2003-2009 audit. Requests for Competent Authority Assistance were filed with both the Canadian Revenue Agency and the U.S. Internal Revenue Service and we paid mandatory security deposits to Canada as part of this process. The total amount of deposits, net of the effects of foreign exchange rate adjustments, were \$13.8 million and \$13.4 million as of December 31, 2016 and 2015, respectively, and are included in “Deferred charges and other assets” in the accompanying Consolidated Balance Sheets. Although the outcome of examinations by taxing authorities is always uncertain, we believe we are adequately reserved for these audits and that resolution is not expected to have a material impact on our financial condition and results of operations.

As part of the April 2016 Clearlink acquisition, we assumed contingent consideration liabilities related to four separate acquisitions made by Clearlink in 2015 and 2016, prior to the Clearlink acquisition. The fair value of the contingent consideration related to these previous acquisitions was \$2.8 million as of April 1, 2016 and was based on achieving targets primarily tied to revenues for varying periods of time during 2016 and 2017. As of December 31, 2016, the fair value of the contingent consideration was \$1.9 million. The estimated future value of the contingent consideration is \$2.0 million and is expected to be paid on varying dates through July 2017.

In July 2015, we completed the acquisition of Qelp B.V. and its subsidiary (together, known as “Qelp”) pursuant to the definitive Share Sale and Purchase Agreement, dated July 2, 2015. The purchase price of \$15.8 million was funded through cash on hand of \$9.8 million and contingent consideration of \$6.0 million. On September 26, 2016, we entered into an addendum to the Qelp Purchase Agreement with the Sellers to settle the outstanding contingent consideration for EUR 4.0 million (\$4.2 million as of December 31, 2016) to be paid on June 30, 2017.

As of December 31, 2016, we had \$266.7 million in cash and cash equivalents, of which approximately 91.4%, or \$243.8 million, was held in international operations and is deemed to be indefinitely reinvested offshore. These funds may be subject to additional taxes if repatriated to the United States, including withholding tax applied by the country of origin and an incremental U.S. income tax, net of allowable foreign tax credits. There are circumstances where we may be unable to repatriate some of the cash and cash equivalents held by our international operations due to country restrictions. We do not intend nor currently foresee a need to repatriate these funds. We expect our current domestic cash levels and cash flows from operations to be adequate to meet our domestic anticipated working capital needs, including investment activities such as capital expenditures and debt repayment for the next twelve months and the foreseeable future. However, from time to time, we may borrow funds under our 2015 Credit Agreement as a result of the timing of our working capital needs, including capital expenditures. Additionally, we expect our current foreign cash levels and cash flows from foreign operations to be adequate to meet our foreign anticipated working capital needs, including investment activities such as capital expenditures for the next twelve months and the foreseeable future.

If we should require more cash in the U.S. than is provided by our domestic operations for significant discretionary unforeseen activities such as acquisitions of businesses and share repurchases, we could elect to repatriate future foreign earnings and/or raise capital in the U.S. through additional borrowings or debt/equity issuances. These alternatives could result in higher effective tax rates, interest expense and/or dilution of earnings. We have borrowed funds domestically and continue to have the ability to borrow additional funds domestically at reasonable interest rates.

Our cash resources could also be affected by various risks and uncertainties, including but not limited to, the risks detailed in Item 1A, Risk Factors.

Off-Balance Sheet Arrangements and Other

At December 31, 2016, we did not have any material commercial commitments, including guarantees or standby repurchase obligations, or any relationships with unconsolidated entities or financial partnerships, including entities often referred to as structured finance or special purpose entities or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

From time to time, during the normal course of business, we may make certain indemnities, commitments and guarantees under which we may be required to make payments in relation to certain transactions. These include, but are not limited to: (i) indemnities to clients, vendors and service providers pertaining to claims based on negligence or willful misconduct and (ii) indemnities involving breach of contract, the accuracy of representations and warranties, or other liabilities assumed by us in certain contracts. In addition, we have agreements whereby we will indemnify certain officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The indemnification period covers all pertinent events and occurrences during the officer's or director's lifetime. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited; however, we have director and officer insurance coverage that limits our exposure and enables us to recover a portion of any future amounts paid. We believe the applicable insurance coverage is generally adequate to cover any estimated potential liability under these indemnification agreements. The majority of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential for future payments we could be obligated to make. We have not recorded any liability for these indemnities, commitments and other guarantees in the accompanying Consolidated Balance Sheets. In addition, we have some client contracts that do not contain contractual provisions for the limitation of liability, and other client contracts that contain agreed upon exceptions to limitation of liability. We have not recorded any liability in the accompanying Consolidated Balance Sheets with respect to any client contracts under which we have or may have unlimited liability.

Contractual Obligations

The following table summarizes our contractual cash obligations at December 31, 2016, and the effect these obligations are expected to have on liquidity and cash flow in future periods (in thousands):

	Payments Due By Period					Other
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years	
Operating leases ⁽¹⁾	\$ 218,652	\$ 46,712	\$ 73,440	\$ 49,692	\$ 48,808	\$ -
Purchase obligations ⁽²⁾	53,773	40,667	11,450	1,322	334	-
Accounts payable ⁽³⁾	29,163	29,163	-	-	-	-
Accrued employee compensation and benefits ⁽³⁾	92,541	92,541	-	-	-	-
Income taxes payable ⁽⁴⁾	4,487	4,487	-	-	-	-
Other accrued expenses and current liabilities ⁽⁵⁾	37,758	37,758	-	-	-	-
Long-term debt ⁽⁶⁾	267,000	-	-	267,000	-	-
Long-term tax liabilities ⁽⁷⁾	5,516	-	-	-	-	5,516
Other long-term liabilities ⁽⁸⁾	4,598	101	1,327	278	2,892	-
	\$ 713,488	\$ 251,429	\$ 86,217	\$ 318,292	\$ 52,034	\$ 5,516

(1) Amounts represent the expected cash payments under our operating leases.

(2) Amounts represent the expected cash payments under our purchase obligations, which include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty.

(3) Accounts payable and accrued employee compensation and benefits, which represent amounts due to vendors and employees payable within one year.

(4) Income taxes payable, which represents amounts due taxing authorities payable within one year.

(5) Other accrued expenses and current liabilities, which exclude deferred grants, include amounts primarily related to restructuring costs, legal and professional fees, telephone charges, rent, derivative contracts and other accruals.

(6) Amount represents total outstanding borrowings. See Note 18, Borrowings, to the accompanying Consolidated Financial Statements.

(7) Long-term tax liabilities include uncertain tax positions and related penalties and interest as discussed in Note 20, Income Taxes, to the accompanying Consolidated Financial Statements, included in "Long-term income tax liabilities" in the accompanying Consolidated Balance Sheet. The amount in the table has been reduced by Canadian mandatory security deposits of \$13.8 million, which are included in "Deferred charges and other assets" in the accompanying Consolidated Balance Sheet. We cannot make reasonably reliable estimates of the cash settlement of \$5.5 million of the long-term liabilities with the taxing authority; therefore, amounts have been excluded from payments due by period.

(8) Other long-term liabilities, which exclude deferred rent, deferred income taxes and other non-cash long-term liabilities, represent the expected cash payments for contingent consideration related to the Clearlink and Qelp acquisitions, cash payments due under restructuring accruals for lease obligations and pension obligations. See Note 2, Acquisitions, Note 3, Costs Associated with Exit or Disposal Activities, and Note 23, Defined Benefit Pension Plan and Postretirement Benefits, to the accompanying Consolidated Financial Statements.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires estimations and assumptions that affect the reported amounts of assets and liabilities and the 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. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

We believe the following accounting policies are the most critical since these policies require significant judgment or involve complex estimations that are important to the portrayal of our financial condition and operating results. Unless we need to clarify a point to readers, we will refrain from citing specific section references when discussing the application of accounting principles or addressing new or pending accounting rule changes.

Recognition of Revenue

We recognize revenue in accordance with ASC 605 "Revenue Recognition". We primarily recognize revenues from services as the services are performed, which is based on either a per minute, per call, per transaction or per time and material basis, under a fully executed contractual agreement and record reductions to revenues for contractual penalties and holdbacks for failure to meet specified minimum service levels and other performance based contingencies. Revenue recognition is limited to the amount that is not contingent upon delivery of any future product or service or meeting other specified performance conditions. Product sales, accounted for within our fulfillment services, are recognized upon shipment to the customer and satisfaction of all obligations.

Revenues from fulfillment services account for 0.7%, 1.6% and 1.4% of total consolidated revenues for the years ended December 31, 2016, 2015 and 2014, respectively, some of which contain multiple-deliverables. The service offerings for these fulfillment service contracts typically include pick-pack-and-ship, warehousing, process management, finished goods assembly and pass-through costs. In accordance with ASC 605-25 “*Revenue Recognition — Multiple-Element Arrangements*” (“ASC 605-25”) (as amended by Accounting Standards Update (“ASU”) 2009-13 “*Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force*”) (“ASU 2009-13”), we determine if the services provided under these contracts with multiple-deliverables represent separate units of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value, and where return rights exist, delivery or performance of the undelivered items is considered probable and substantially within our control. If those deliverables are determined to be separate units of accounting, revenues from these services are recognized as the services are performed under a fully executed contractual agreement. If those deliverables are not determined to be separate units of accounting, revenue for the delivered services are bundled into a single unit of accounting and recognized on the proportional performance method using the straight-line basis over the contract period, or the actual number of operational seats used to serve the client, as appropriate.

We allocate revenue to each of the deliverables based on a selling price hierarchy of vendor specific objective evidence (“VSOE”), third-party evidence, and then estimated selling price. VSOE is based on the price charged when the deliverable is sold separately. Third-party evidence is based on largely interchangeable competitor services in standalone sales to similarly situated customers. Estimated selling price is based on our best estimate of what the selling prices of deliverables would be if they were sold regularly on a standalone basis. Estimated selling price is established considering multiple factors including, but not limited to, pricing practices in different geographies, service offerings, and customer classifications. Once we allocate revenue to each deliverable, we recognize revenue when all revenue recognition criteria are met. As of December 31, 2016, our fulfillment contracts with multiple-deliverables met the separation criteria as outlined in ASC 605-25 and the revenue was accounted for accordingly. Other than these fulfillment contracts, we have no other contracts that contain multiple-deliverables as of December 31, 2016.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts, \$2.9 million as of December 31, 2016, or 0.9% of trade account receivables, for estimated losses arising from the inability of our customers to make required payments. Our estimate is based on qualitative and quantitative analyses, including credit risk measurement tools and methodologies using the publicly available credit and capital market information, a review of the current status of our trade accounts receivable and historical collection experience of our clients. It is reasonably possible that our estimate of the allowance for doubtful accounts will change if the financial condition of our customers were to deteriorate, resulting in a reduced ability to make payments.

Income Taxes

We reduce deferred tax assets by a valuation allowance if, based on the weight of available evidence, both positive and negative, for each respective tax jurisdiction, it is more likely than not that some portion or all of such deferred tax assets will not be realized. Available evidence which is considered in determining the amount of valuation allowance required includes, but is not limited to, our estimate of future taxable income and any applicable tax-planning strategies. Establishment or reversal of certain valuation allowances may have a significant impact on both current and future results.

As of December 31, 2016, we determined that a total valuation allowance of \$30.2 million was necessary to reduce U.S. deferred tax assets by \$0.6 million and foreign deferred tax assets by \$29.6 million, where it was more likely than not that some portion or all of such deferred tax assets will not be realized. The recoverability of the remaining net deferred tax asset of \$8.9 million as of December 31, 2016 is dependent upon future profitability within each tax jurisdiction. As of December 31, 2016, based on our estimates of future taxable income and any applicable tax-planning strategies within various tax jurisdictions, we believe that it is more likely than not that the remaining net deferred tax assets will be realized.

A provision for income taxes has not been made for the undistributed earnings of foreign subsidiaries of approximately \$418.6 million as of December 31, 2016, as the earnings are indefinitely reinvested in foreign business operations. If these earnings are repatriated or otherwise become taxable in the U.S, we would be subject to an incremental U.S. tax expense net of any allowable foreign tax credits, in addition to any applicable foreign

withholding tax expense. Determination of any unrecognized deferred tax liability related to investments in foreign subsidiaries is not practicable due to the inherent complexity of the multi-national tax environment in which we operate.

We evaluate tax positions that have been taken or are expected to be taken in our tax returns, and record a liability for uncertain tax positions in accordance with ASC 740. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. First, tax positions are recognized if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, the tax position is measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

As of December 31, 2016, we had \$8.5 million of unrecognized tax benefits, a net increase of \$0.4 million from \$8.1 million as of December 31, 2015. Had we recognized these tax benefits, approximately \$8.5 million and \$8.1 million and the related interest and penalties would favorably impact the effective tax rate in 2016 and 2015, respectively. We anticipate that approximately \$0.5 million of the unrecognized tax benefits will be recognized in the next twelve months due to a lapse in the applicable statute of limitations.

Our provision for income taxes is subject to volatility and is impacted by the distribution of earnings in the various domestic and international jurisdictions in which we operate. Our effective tax rate could be impacted by earnings being either proportionally lower or higher in foreign countries where we have tax rates lower than the U.S. tax rates. In addition, we have been granted tax holidays in several foreign tax jurisdictions, which have various expiration dates ranging from 2019 through 2028. If we are unable to renew a tax holiday in any of these jurisdictions, our effective tax rate could be adversely impacted. In some cases, the tax holidays expire without possibility of renewal. In other cases, we expect to renew these tax holidays, but there are no assurances from the respective foreign governments that they will permit a renewal. The tax holidays decreased the provision for income taxes by \$3.3 million, \$4.0 million and \$2.7 million for the years ended December 31, 2016, 2015 and 2014, respectively. Our effective tax rate could also be affected by several additional factors, including changes in the valuation of our deferred tax assets or liabilities, changing legislation, regulations, and court interpretations that impact tax law in multiple tax jurisdictions in which we operate, as well as new requirements, pronouncements and rulings of certain tax, regulatory and accounting organizations.

Impairment of Long-Lived Assets

We evaluate the carrying value of property and equipment and definite-lived intangible assets, which had a carrying value of \$309.3 million as of December 31, 2016, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset is considered to be impaired when the forecasted undiscounted cash flows of an asset group are estimated to be less than its carrying value. The amount of impairment recognized is the difference between the carrying value of the asset group and its fair value. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates. Future adverse changes in market conditions or poor operating results of the underlying investment could result in losses or an inability to recover the carrying value of the investment and, therefore, might require an impairment charge in the future.

Impairment of Goodwill

We evaluate goodwill, which had a carrying value of \$265.4 million as of December 31, 2016, for impairment at least annually, during the third quarter of each year, or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. To assess the realizability of goodwill, we have 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. We may elect to forgo this option and proceed to the annual two-step goodwill impairment test.

If we elect to perform the qualitative assessment and it indicates that a significant decline to fair value of a reporting unit is more likely than not, or if a reporting unit's fair value has historically been closer to its carrying value, or we

elect to forgo this qualitative assessment, we will proceed to Step 1 testing where we calculate the fair value of a reporting unit based on discounted future probability-weighted cash flows. If Step 1 indicates that the carrying value of a reporting unit is in excess of its fair value, we will proceed to Step 2 where the fair value of the reporting unit will be allocated to assets and liabilities as it would in a business combination. Impairment occurs when the carrying amount of goodwill exceeds its estimated fair value calculated in Step 2.

We estimate fair value using discounted cash flows of the reporting units. The most significant assumptions used in these analyses are those made in estimating future cash flows. In estimating future cash flows, we use financial assumptions in our internal forecasting model such as projected capacity utilization, projected changes in the prices we charge for our services, projected labor costs, as well as contract negotiation status. The financial and credit market volatility directly impacts our fair value measurement through our weighted average cost of capital that we use to determine our discount rate. We use a discount rate we consider appropriate for the country where the services are being provided. If actual results differ substantially from the assumptions used in performing the impairment test, the fair value of the reporting units may be significantly lower, causing the carrying value to exceed the fair value and indicating an impairment has occurred.

Contingencies

We record a liability for pending litigation and claims where losses are both probable and reasonably estimable. Each quarter, management reviews all litigation and claims on a case-by-case basis and assigns probability of loss and range of loss.

Other

We have made certain other estimates that, while not involving the same degree of judgment, are important to understanding our financial statements. These estimates are in the areas of measuring our obligations related to our defined benefit plans and self-insurance accruals.

New Accounting Standards Not Yet Adopted

See Note 1, Overview and Summary of Significant Accounting Policies, of the accompanying “Notes to Consolidated Financial Statements” for information related to recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Risk

Our earnings and cash flows are subject to fluctuations due to changes in currency exchange rates. We are exposed to foreign currency exchange rate fluctuations when subsidiaries with functional currencies other than the U.S. Dollar (“USD”) are translated into our USD consolidated financial statements. As exchange rates vary, those results, when translated, may vary from expectations and adversely impact profitability. The cumulative translation effects for subsidiaries using functional currencies other than USD are included in “Accumulated other comprehensive income (loss)” in shareholders’ equity. Movements in non-USD currency exchange rates may negatively or positively affect our competitive position, as exchange rate changes may affect business practices and/or pricing strategies of non-U.S. based competitors.

We employ a foreign currency risk management program that periodically utilizes derivative instruments to protect against unanticipated fluctuations in certain earnings and cash flows caused by volatility in foreign currency exchange (“FX”) rates. We also utilize derivative contracts to hedge intercompany receivables and payables that are denominated in a foreign currency and to hedge net investments in foreign operations.

We serve a number of U.S.-based clients using customer engagement center capacity in The Philippines and Costa Rica, which are within our Americas segment. Although the contracts with these clients are priced in USDs, a substantial portion of the costs incurred to render services under these contracts are denominated in Philippine Pesos (“PHP”) and Costa Rican Colones (“CRC”), which represent FX exposures. Additionally, our EMEA segment services clients in Hungary and Romania where the contracts are priced in Euros (“EUR”), with a substantial portion of the costs incurred to render services under these contracts denominated in Hungarian Forints (“HUF”) and Romanian Leis (“RON”).

In order to hedge a portion of our anticipated cash flow requirements denominated in PHP and CRC, we had outstanding forward contracts and options as of December 31, 2016 with counterparties through December 2017 with notional amounts totaling \$96.5 million. As of December 31, 2016, we had net total derivative liabilities associated with these contracts with a fair value of \$1.8 million, which will settle within the next 12 months. If the USD was to weaken against the PHP and CRC by 10% from current period-end levels, we would incur a loss of approximately \$8.2 million on the underlying exposures of the derivative instruments. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We had forward exchange contracts with notional amounts totaling \$76.9 million to hedge net investments in our foreign operations. The purpose of these derivative instruments is to protect 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 our foreign currency-based investments in these subsidiaries. As of December 31, 2016, the fair value of these derivatives was a net asset of \$3.2 million. The potential loss in fair value at December 31, 2016, for these contracts resulting from a hypothetical 10% adverse change in the foreign currency exchange rates is approximately \$7.3 million. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We had forward exchange contracts with notional amounts totaling \$55.6 million that are not designated as hedges. The purpose of these derivative instruments is to protect against FX volatility pertaining to intercompany receivables and payables, and other assets and liabilities that are denominated in currencies other than our subsidiaries' functional currencies. As of December 31, 2016, the fair value of these derivatives was a net asset of \$0.6 million. The potential loss in fair value at December 31, 2016, for these contracts resulting from a hypothetical 10% adverse change in the foreign currency exchange rates is approximately \$1.9 million. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We had embedded derivative contracts with notional amounts totaling \$13.2 million that are not designated as hedges. As of December 31, 2016, the fair value of these derivatives was a net liability of \$0.6 million. The potential loss in fair value at December 31, 2016, for these contracts resulting from a hypothetical 10% adverse change in the foreign currency exchange rates is approximately \$2.1 million. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We evaluate the credit quality of potential counterparties to derivative transactions and only enter into contracts with those considered to have minimal credit risk. We periodically monitor changes to counterparty credit quality as well as our concentration of credit exposure to individual counterparties.

We do not use derivative financial instruments for speculative trading purposes, nor do we hedge our foreign currency exposure in a manner that entirely offsets the effects of changes in foreign exchange rates.

As a general rule, we do not use financial instruments to hedge local currency denominated operating expenses in countries where a natural hedge exists. For example, in many countries, revenue from the local currency services substantially offsets the local currency denominated operating expenses.

Interest Rate Risk

Our exposure to interest rate risk results from variable debt outstanding under our revolving credit facility. We pay interest on outstanding borrowings at interest rates that fluctuate based upon changes in various base rates. As of December 31, 2016, we had \$267.0 million in borrowings outstanding under the revolving credit facility. Based on our level of variable rate debt outstanding during the year ended December 31, 2016, a one-point increase in the weighted average interest rate, which generally equals the LIBOR rate plus an applicable margin, would have had a \$2.2 million impact on our results of operations.

We have not historically used derivative instruments to manage exposure to changes in interest rates.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data required by this item are located beginning on page 52 and page 33 of this report, respectively.

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of December 31, 2016. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2016.

Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, we used the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, management believes that, as of December 31, 2016, our internal control over financial reporting was effective.

On April 1, 2016, we acquired 100% of the outstanding membership units of Clear Link Holdings, LLC (“Clearlink”). See Note 2, Acquisitions, of “Notes to Consolidated Financial Statements” for additional information. As permitted by the Securities and Exchange Commission, companies are allowed to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition and management elected to exclude Clearlink from its assessment of internal controls over financial reporting as of December 31, 2016. The Clearlink financial statements constitute 18.9% of total assets and 8.4% of revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2016.

There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting, except for the change discussed under “Changes to Internal Control Over Financial Reporting” below.

Attestation Report of Independent Registered Public Accounting Firm

Our independent registered public accounting firm has issued an attestation report on our internal control over financial reporting. This report appears on page 44.

Changes to Internal Control Over Financial Reporting

On April 1, 2016, we acquired Clearlink. We have excluded Clearlink from our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2016. We have completed certain integration activities and Clearlink has designed internal controls over financial reporting. Management will continue to assess the control environment.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Sykes Enterprises, Incorporated
Tampa, Florida

We have audited the internal control over financial reporting of Sykes Enterprises, Incorporated and subsidiaries (the "Company") as of December 31, 2016, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in *Management's Report on Internal Control Over Financial Reporting*, management excluded from its assessment the internal control over financial reporting at Clear Link Holdings, LLC ("Clearlink"), which was acquired on April 1, 2016 and whose financial statements constitute 18.9% of total assets and 8.4% of revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2016. Accordingly, our audit did not include the internal control over financial reporting at Clearlink. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

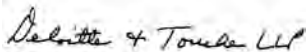
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2016 of the Company and our report dated March 1, 2017 expressed an unqualified opinion on those financial statements and financial statement schedule.



Certified Public Accountants

Tampa, Florida
March 1, 2017

Item 9B. Other Information

None.

PART III

Items 10. through 14.

All information required by Items 10 through 14, with the exception of information on Executive Officers which appears in this report in Item 1 under the caption “Executive Officers”, is incorporated by reference to SYKES’ Proxy Statement for the 2017 Annual Meeting of Shareholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this report:

Consolidated Financial Statements

The Index to Consolidated Financial Statements is set forth on page 52 of this report.

Financial Statements Schedule

Schedule II — Valuation and Qualifying Accounts is set forth on page 109 of this report.

Other schedules have been omitted because they are not required or applicable or the information is included in the Consolidated Financial Statements or notes thereto.

Exhibits:

Exhibit Number	Exhibit Description
2.1	Articles of Merger between Sykes Enterprises, Incorporated, a North Carolina Corporation, and Sykes Enterprises, Incorporated, a Florida Corporation, dated March 1, 1996. ⁽¹⁾
2.2	Agreement and Plan of Merger, dated as of October 5, 2009, among ICT Group, Inc., Sykes Enterprises, Incorporated, SH Merger Subsidiary I, Inc., and SH Merger Subsidiary II, LLC ⁽¹⁵⁾
2.3	Agreement and Plan of Merger, dated as of July 27, 2012, by and among Sykes Enterprises, Incorporated, Sykes Acquisition Subsidiary II, Inc., Alpine Access, Inc., and Shareholder Representative Services LLC. ⁽²⁰⁾
2.4	Agreement and Plan of Merger, dated as of March 6, 2016, by and among Sykes Enterprises, Incorporated, Sykes Acquisition Corporation II, Inc., Clear Link Holdings, LLC, and Pamlico Capital Management, L.P. ⁽²⁸⁾
3.1	Articles of Incorporation of Sykes Enterprises, Incorporated, as amended. ⁽²⁾
3.2	Articles of Amendment to Articles of Incorporation of Sykes Enterprises, Incorporated, as amended. ⁽³⁾
3.3	Bylaws of Sykes Enterprises, Incorporated, as amended. ⁽⁷⁾
3.4	Amendment to Bylaws of Sykes Enterprises, Incorporated. ⁽²²⁾
4.1	Specimen certificate for the Common Stock of Sykes Enterprises, Incorporated. ⁽¹⁾
10.1	2004 Non-Employee Directors' Fee Plan. ^{(5)*}
10.2	First Amended and Restated 2004 Non-Employee Director's Fee Plan. ^{(12)*}
10.3	Second Amended and Restated 2004 Non-Employee Director's Fee Plan. ^{(14)*}
10.4	Third Amended and Restated 2004 Non-Employee Director's Fee Plan. ^{(16)*}
10.5	Fourth Amended and Restated 2004 Non-Employee Director Fee Plan. ^{(18)*}
10.6	Fifth Amended and Restated 2004 Non-Employee Director Fee Plan. ^{(24)*}
10.7	Form of Split Dollar Plan Documents. ^{(1)*}

Exhibit Number	Exhibit Description
10.8	Form of Split Dollar Agreement. ^{(1)*}
10.9	Form of Indemnity Agreement between Sykes Enterprises, Incorporated and directors & executive officers. ⁽¹⁾
10.10	2001 Equity Incentive Plan. ^{(4)*}
10.11	Form of Restricted Share And Stock Appreciation Right Award Agreement dated as of March 29, 2006. ^{(8)*}
10.12	Form of Restricted Share And Bonus Award Agreement dated as of March 29, 2006. ^{(8)*}
10.13	Form of Restricted Share Award Agreement dated as of May 24, 2006. ^{(9)*}
10.14	Form of Restricted Share And Stock Appreciation Right Award Agreement dated as of January 2, 2007. ^{(10)*}
10.15	Form of Restricted Share Award Agreement dated as of January 2, 2007. ^{(10)*}
10.16	Form of Restricted Share and Stock Appreciation Right Award Agreement dated as of January 2, 2008. ^{(11)*}
10.17	2011 Equity Incentive Plan. ^{(27)*}
10.18	Founder's Retirement and Consulting Agreement dated December 10, 2004 between Sykes Enterprises, Incorporated and John H. Sykes. ^{(6)*}
10.19	Amended and Restated Employment Agreement dated as of December 30, 2008 between Sykes Enterprises, Incorporated and Charles E. Sykes. ^{(17)*}
10.20	Amended and Restated Employment Agreement dated as of December 30, 2008 between Sykes Enterprises, Incorporated and W. Michael Kipphut. ^{(17)*}
10.21	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and Jenna R. Nelson. ^{(17)*}
10.22	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and James T. Holder. ^{(17)*}
10.23	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and William N. Rocktoff. ^{(17)*}
10.24	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and James Hobby, Jr. ^{(17)*}
10.25	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and Daniel L. Hernandez. ^{(17)*}
10.26	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and David L. Pearson. ^{(17)*}
10.27	Lease Agreement, dated January 25, 2008, Lease Amendment Number One and Lease Amendment Number Two dated February 12, 2008 and May 28, 2008 respectively, between Sykes Enterprises, Incorporated and Kingstree Office One, LLC. ⁽¹³⁾
10.28	Credit Agreement, dated May 12, 2015, between Sykes Enterprises, Incorporated, the lenders party thereto and KeyBank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent. ⁽¹⁹⁾

Exhibit Number	Exhibit Description
10.29	Business Sale and Purchase Agreement, dated as of March 29, 2012, between Sykes Enterprises, Incorporated and Iberphone, S.A.U. ⁽²⁰⁾
10.30	Stock Purchase Agreement, dated as of March 30, 2012, by and among Sykes Enterprises, Incorporated (not as a Seller), SEI International Services S.a.r.l. (as Seller) and Eugenio Arceu Garcia as Buyer. ⁽²⁰⁾
10.31	Employment Agreement, dated as of September 13, 2012, between Sykes Enterprises, Incorporated and Lawrence R. Zingale. ^{(21)*}
10.32	Employment Agreement, dated as of September 13, 2012, between Sykes Enterprises, Incorporated and Christopher Carrington. ^{(21)*}
10.33	Sykes Enterprises, Incorporated Deferred Compensation Plan Amended and Restated as of January 1, 2014. ^{(26)*}
10.34	Employment Agreement, dated as of April 15, 2014, between Sykes Enterprises, Incorporated and John Chapman. ^{(23)*}
10.35	Employment Agreement, dated as of October 29, 2014, between Sykes Enterprises, Incorporated and Andrew Blanchard. ^{(26)*}
10.36	Employment Agreement, dated as of October 29, 2016, between Sykes Enterprises, Incorporated and James D. Farnsworth.*
10.37	Amended and Restated Sykes Enterprises, Incorporated Deferred Compensation Plan, effective as of January 1, 2016.*
10.38	First Amendment to the Amended and Restated Sykes Enterprises, Incorporated Deferred Compensation Plan, effective as of June 30, 2016.*
10.39	Second Amendment to the Amended and Restated Sykes Enterprises, Incorporated Deferred Compensation Plan, effective as of January 1, 2017.*
14.1	Code of Ethics. ⁽²⁵⁾
21.1	List of subsidiaries of Sykes Enterprises, Incorporated.
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Power of Attorney relating to subsequent amendments (included on the signature page of this report).
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a).
32.1	Certification of Chief Executive Officer, pursuant to Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Exhibit Number	Exhibit Description
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*	<i>Indicates management contract or compensatory plan or arrangement.</i>
(1)	<i>Filed as an Exhibit to the Registrant's Registration Statement on Form S-1 (Registration No. 333-2324) and incorporated herein by reference.</i>
(2)	<i>Filed as Exhibit 3.1 to the Registrant's Registration Statement on Form S-3 filed with the Commission on October 23, 1997, and incorporated herein by reference.</i>
(3)	<i>Filed as Exhibit 3.2 to the Registrant's Form 10-K filed with the Commission on March 29, 1999, and incorporated herein by reference.</i>
(4)	<i>Filed as Exhibit 10.32 to Registrant's Form 10-Q filed with the Commission on May 7, 2001, and incorporated herein by reference.</i>
(5)	<i>Filed as an Exhibit to Registrant's Form 10-Q filed with the Commission on August 9, 2004, and incorporated herein by reference.</i>
(6)	<i>Filed as an Exhibit to Registrant's Current Report on Form 8-K filed with the Commission on December 16, 2004, and incorporated herein by reference.</i>
(7)	<i>Filed as an Exhibit to Registrant's Form 10-K filed with the Commission on March 22, 2005, and incorporated herein by reference.</i>
(8)	<i>Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on April 4, 2006, and incorporated herein by reference.</i>
(9)	<i>Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on May 31, 2006, and incorporated herein by reference.</i>
(10)	<i>Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on December 28, 2006, and incorporated herein by reference.</i>
(11)	<i>Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on January 8, 2008, and incorporated herein by reference.</i>
(12)	<i>Filed as an Exhibit to the Registrant's Form 10-Q filed with the Commission on May 7, 2008, and incorporated herein by reference.</i>
(13)	<i>Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on May 29, 2008, and incorporated herein by reference.</i>
(14)	<i>Filed as an Exhibit to the Registrant's Form 10-Q filed with the Commission on November 5, 2008, and incorporated herein by reference.</i>
(15)	<i>Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on October 9, 2009, and incorporated herein by reference.</i>
(16)	<i>Filed as an Exhibit to the Registrant's Proxy Statement for the 2009 annual meeting of shareholders filed with the Commission on April 22, 2009, and incorporated herein by reference.</i>
(17)	<i>Filed as an Exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 10, 2009, and incorporated herein by reference.</i>
(18)	<i>Filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 9, 2011, and incorporated herein by reference.</i>
(19)	<i>Filed as an Exhibit to the Registrant's Form 8-K filed with the Commission on May 13, 2015, and incorporated herein by reference.</i>
(20)	<i>Filed as an Exhibit to the Registrant's Form 8-K filed with the Commission on July 30, 2012, and incorporated herein by reference.</i>
(21)	<i>Filed as an Exhibit to the Registrant's Form 8-K filed with the Commission on September 19, 2012, and incorporated herein by reference.</i>
(22)	<i>Filed as an Exhibit to the Registrant's Form 8-K filed with the Commission on March 24, 2014, and incorporated herein by reference.</i>
(23)	<i>Filed as an Exhibit to the Registrant's Form 8-K filed with the Commission on April 15, 2014, and incorporated herein by reference.</i>
(24)	<i>Filed as an Exhibit to the Registrant's Proxy Statement for the 2012 annual meeting of shareholders filed with the Commission on April 14, 2012, and incorporated herein by reference.</i>
(25)	<i>Available on the Registrant's website at www.sykes.com, by clicking on "Company," then "Investor Relations" and then "Documents and Charters" under the heading "Corporate Governance."</i>
(26)	<i>Filed as an Exhibit to Registrant's Form 10-K filed with the Commission on February 19, 2015, and incorporated herein by reference.</i>

Exhibit Number	Exhibit Description
(27)	<i>Filed as an Exhibit to Registrant's Form 10-K filed with the Commission on February 29, 2016, and incorporated herein by reference.</i>
(28)	<i>Filed as an Exhibit to Registrant's Form 8-K filed with the Commission on March 8, 2016, and incorporated herein by reference.</i>

Item 16. Form 10-K Summary

Not Applicable.

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, in the City of Tampa, and State of Florida, on this 1st day of March 2017.

SYKES ENTERPRISES, INCORPORATED
(Registrant)

By: /s/ John Chapman
John Chapman
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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. Each person whose signature appears below constitutes and appoints John Chapman his true and lawful attorney-in-fact and agent, with full power of substitution and revocation, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or should do in person, thereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
<u>/s/ James S. MacLeod</u> James S. MacLeod	Chairman of the Board	March 1, 2017
<u>/s/ Charles E. Sykes</u> Charles E. Sykes	President and Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2017
<u>/s/ Vanessa C.L. Chang</u> Vanessa C.L. Chang	Director	March 1, 2017
<u>/s/ Lt. Gen. Michael P. Delong (Ret.)</u> Lt. Gen. Michael P. Delong (Ret.)	Director	March 1, 2017
<u>/s/ Carlos E. Evans</u> Carlos E. Evans	Director	March 1, 2017
<u>/s/ Lorraine L. Lutton</u> Lorraine L. Lutton	Director	March 1, 2017
<u>/s/ William J. Meurer</u> William J. Meurer	Director	March 1, 2017
<u>/s/ William D. Muir, Jr.</u> William D. Muir, Jr.	Director	March 1, 2017
<u>/s/ Paul L. Whiting</u> Paul L. Whiting	Director	March 1, 2017
<u>/s/ John Chapman</u> John Chapman	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 1, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

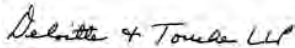
To the Board of Directors and Shareholders of
Sykes Enterprises, Incorporated
Tampa, Florida

We have audited the accompanying consolidated balance sheets of Sykes Enterprises, Incorporated and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Sykes Enterprises, Incorporated and subsidiaries as of December 31, 2016 and 2015 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.



Certified Public Accountants

Tampa, Florida
March 1, 2017

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except per share data)

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 266,675	\$ 235,358
Receivables, net	318,558	277,096
Prepaid expenses	21,973	17,321
Other current assets	16,030	33,262
Total current assets	<u>623,236</u>	<u>563,037</u>
Property and equipment, net	156,214	111,962
Goodwill, net	265,404	195,733
Intangibles, net	153,055	50,896
Deferred charges and other assets	38,494	26,144
	<u>\$ 1,236,403</u>	<u>\$ 947,772</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 29,163	\$ 23,255
Accrued employee compensation and benefits	92,552	77,246
Current deferred income tax liabilities	-	1,120
Income taxes payable	4,487	1,959
Deferred revenue	38,736	28,119
Other accrued expenses and current liabilities	37,919	21,476
Total current liabilities	<u>202,857</u>	<u>153,175</u>
Deferred grants	3,761	4,810
Long-term debt	267,000	70,000
Long-term income tax liabilities	19,326	18,512
Other long-term liabilities	18,937	22,595
Total liabilities	<u>511,881</u>	<u>269,092</u>
Commitments and loss contingency (Note 22)		
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; 42,895 and 42,785 shares issued, respectively	429	428
Additional paid-in capital	281,357	275,380
Retained earnings	518,611	458,325
Accumulated other comprehensive income (loss)	(67,027)	(53,662)
Treasury stock at cost: 362 and 113 shares, respectively	(8,848)	(1,791)
Total shareholders' equity	<u>724,522</u>	<u>678,680</u>
	<u>\$ 1,236,403</u>	<u>\$ 947,772</u>

See accompanying Notes to Consolidated Financial Statements.

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Operations

(in thousands, except per share data)	Years Ended December 31,		
	2016	2015	2014
Revenues	\$ 1,460,037	\$ 1,286,340	\$ 1,327,523
Operating expenses:			
Direct salaries and related costs	947,677	836,516	892,110
General and administrative	351,408	297,257	298,129
Depreciation, net	49,013	43,752	45,363
Amortization of intangibles	19,377	14,170	14,396
Net (gain) loss on disposal of property and equipment	314	381	(2,030)
Total operating expenses	1,367,789	1,192,076	1,247,968
Income from operations	92,248	94,264	79,555
Other income (expense):			
Interest income	607	668	958
Interest (expense)	(5,570)	(2,465)	(2,011)
Other income (expense)	1,599	(2,484)	(1,343)
Total other income (expense)	(3,364)	(4,281)	(2,396)
Income before income taxes	88,884	89,983	77,159
Income taxes	26,494	21,386	19,368
Net income	\$ 62,390	\$ 68,597	\$ 57,791
Net income per common share:			
Basic	\$ 1.49	\$ 1.64	\$ 1.36
Diluted	\$ 1.48	\$ 1.62	\$ 1.35
Weighted average common shares outstanding:			
Basic	41,847	41,899	42,609
Diluted	42,239	42,447	42,814

See accompanying Notes to Consolidated Financial Statements.

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(in thousands)	Years Ended December 31,		
	2016	2015	2014
Net income	\$ 62,390	\$ 68,597	\$ 57,791
Other comprehensive income (loss), net of taxes:			
Foreign currency translation gain (loss), net of taxes	(13,792)	(36,525)	(34,827)
Unrealized gain (loss) on net investment hedges, net of taxes	2,096	3,894	3,959
Unrealized actuarial gain (loss) related to pension liability, net of taxes	96	21	(142)
Unrealized gain (loss) on cash flow hedging instruments, net of taxes	(1,698)	(416)	2,424
Unrealized gain (loss) on postretirement obligation, net of taxes	(67)	(75)	28
Other comprehensive income (loss), net of taxes	(13,365)	(33,101)	(28,558)
Comprehensive income (loss)	\$ 49,025	\$ 35,496	\$ 29,233

See accompanying Notes to Consolidated Financial Statements.

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity

(in thousands)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares Issued	Amount					
Balance at January 1, 2014	43,997	\$ 440	\$ 279,513	\$ 349,366	\$ 7,997	\$ (1,612)	\$ 635,704
Stock-based compensation expense ...	-	-	6,381	-	-	-	6,381
Excess tax benefit (deficiency) from stock-based compensation	-	-	(82)	-	-	-	(82)
Issuance of common stock under equity award plans, net of shares withheld for employee taxes	(76)	(1)	(592)	-	-	156	(437)
Repurchase of common stock	-	-	-	-	-	(12,581)	(12,581)
Retirement of treasury stock	(630)	(6)	(5,932)	(6,643)	-	12,581	-
Comprehensive income (loss)	-	-	-	57,791	(28,558)	-	29,233
Balance at December 31, 2014	43,291	433	279,288	400,514	(20,561)	(1,456)	658,218
Stock-based compensation expense ...	-	-	8,749	-	-	-	8,749
Excess tax benefit (deficiency) from stock-based compensation	-	-	422	-	-	-	422
Issuance of common stock under equity award plans, net of shares withheld for employee taxes	348	4	(3,159)	-	-	(171)	(3,326)
Repurchase of common stock	-	-	-	-	-	(20,879)	(20,879)
Retirement of treasury stock	(854)	(9)	(9,920)	(10,786)	-	20,715	-
Comprehensive income (loss)	-	-	-	68,597	(33,101)	-	35,496
Balance at December 31, 2015	42,785	428	275,380	458,325	(53,662)	(1,791)	678,680
Stock-based compensation expense ...	-	-	10,779	-	-	-	10,779
Excess tax benefit (deficiency) from stock-based compensation	-	-	2,098	-	-	-	2,098
Issuance of common stock under equity award plans, net of shares withheld for employee taxes	256	2	(4,724)	-	-	(194)	(4,916)
Repurchase of common stock	-	-	-	-	-	(11,144)	(11,144)
Retirement of treasury stock	(146)	(1)	(2,176)	(2,104)	-	4,281	-
Comprehensive income (loss)	-	-	-	62,390	(13,365)	-	49,025
Balance at December 31, 2016	42,895	\$ 429	\$ 281,357	\$ 518,611	\$ (67,027)	\$ (8,848)	\$ 724,522

See accompanying Notes to Consolidated Financial Statements.

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(in thousands)	Years Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income	\$ 62,390	\$ 68,597	\$ 57,791
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	49,600	44,515	46,255
Amortization of intangibles	19,377	14,170	14,396
Amortization of deferred grants	(845)	(973)	(1,348)
Unrealized foreign currency transaction (gains) losses, net	(1,104)	318	119
Stock-based compensation expense	10,779	8,749	6,381
Excess tax (benefit) from stock-based compensation	(2,098)	(422)	-
Deferred income tax provision (benefit)	2,339	2,515	4,865
Net (gain) loss on disposal of property and equipment	314	381	(2,030)
Bad debt expense (reversals)	89	278	(181)
Write-downs (recoveries) of value added tax receivables	(148)	-	(638)
Unrealized (gains) losses on financial instruments, net	521	1,028	2,352
Foreign exchange (gain) loss on liquidation of foreign entities	(25)	720	113
Amortization of deferred loan fees	269	403	259
Net (gain) on insurance settlement	-	(919)	-
Proceeds from business interruption insurance settlement	-	156	-
Imputed interest expense and fair value adjustments to contingent consideration	(1,496)	408	-
Other	(101)	(106)	(10)
Changes in assets and liabilities, net of acquisition:			
Receivables	(32,905)	2,499	(40,276)
Prepaid expenses	(3,587)	(3,040)	336
Other current assets	(3,398)	(6,972)	(6,673)
Deferred charges and other assets	(1,286)	1,951	3,545
Accounts payable	(2,938)	(124)	2,029
Income taxes receivable / payable	4,999	(5,666)	2,609
Accrued employee compensation and benefits	15,699	(1,481)	5,179
Other accrued expenses and current liabilities	5,090	(1,564)	(5,026)
Deferred revenue	6,343	(2,559)	2,147
Other long-term liabilities	2,850	(2,398)	2,070
Net cash provided by operating activities	<u>130,728</u>	<u>120,464</u>	<u>94,264</u>
Cash flows from investing activities:			
Capital expenditures	(78,342)	(49,662)	(44,683)
Cash paid for business acquisition, net of cash acquired	(205,324)	(9,370)	-
Proceeds from sale of property and equipment	582	616	3,639
Investment in restricted cash	(466)	(45)	(7)
Release of restricted cash	372	13	160
Proceeds from property and equipment insurance settlement	-	1,490	-
Net investment hedge settlement	10,339	-	-
Purchase of intangible assets	(10)	-	-
Net cash (used for) investing activities	<u>(272,849)</u>	<u>(56,958)</u>	<u>(40,891)</u>

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES

**Consolidated Statements of Cash Flows
(Continued)**

(in thousands)	Years Ended December 31,		
	2016	2015	2014
Cash flows from financing activities:			
Payments of long-term debt	(19,000)	(10,000)	(23,000)
Proceeds from issuance of long-term debt	216,000	5,000	-
Excess tax benefit from stock-based compensation	2,098	422	-
Cash paid for repurchase of common stock	(11,144)	(20,879)	(12,581)
Proceeds from grants	202	670	256
Payments on short-term debt	-	(323)	-
Shares repurchased for minimum tax withholding on equity awards	(4,916)	(3,326)	(437)
Cash paid for loan fees related to long-term debt	-	(962)	-
Payments of contingent consideration related to acquisitions	(1,396)	-	-
Net cash provided by (used for) financing activities	<u>181,844</u>	<u>(29,398)</u>	<u>(35,762)</u>
Effects of exchange rates on cash and cash equivalents	(8,406)	(13,887)	(14,459)
Net increase (decrease) in cash and cash equivalents	31,317	20,221	3,152
Cash and cash equivalents – beginning	235,358	215,137	211,985
Cash and cash equivalents – ending	<u>\$ 266,675</u>	<u>\$ 235,358</u>	<u>\$ 215,137</u>
Supplemental disclosures of cash flow information:			
Cash paid during period for interest	\$ 4,003	1,476	1,716
Cash paid during period for income taxes	\$ 18,764	\$ 30,467	\$ 16,560
Non-cash transactions:			
Property and equipment additions in accounts payable	\$ 10,692	4,941	5,512
Unrealized gain (loss) on postretirement obligation in accumulated other comprehensive income (loss)	\$ (67)	\$ (75)	\$ 28

See accompanying Notes to Consolidated Financial Statements.

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Overview and Summary of Significant Accounting Policies

Business — Sykes Enterprises, Incorporated and consolidated subsidiaries (“SYKES” or the “Company”) provides comprehensive outsourced customer engagement solutions and services in the business process outsourcing arena to companies, primarily within the communications, financial services, technology/consumer, transportation and leisure, healthcare and retail industries. SYKES provides flexible, high-quality outsourced customer engagement services (with an emphasis on inbound technical support, digital support and demand generation, and customer service), which includes customer assistance, healthcare and roadside assistance, technical support and product and service 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, chat and digital self-service. SYKES complements its outsourced customer engagement 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 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.

Acquisitions

On April 1, 2016, the Company completed the acquisition of Clear Link Holdings, LLC (“Clearlink”), pursuant to a definitive Agreement and Plan of Merger (the “Merger Agreement”), dated March 6, 2016. The Company has reflected the operating results in the Consolidated Statements of Operations since April 1, 2016. See Note 2, Acquisitions, for additional information on the acquisition.

In July 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 Consolidated Statements of Operations since July 2, 2015. See Note 2, Acquisitions, for additional information on the acquisition.

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

Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles” or “U.S. GAAP”) 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 consolidated financial statements. There were no material subsequent events that required recognition or disclosure in the accompanying consolidated financial statements.

Recognition of Revenue — The Company recognizes revenue in accordance with Accounting Standards Codification (“ASC”) 605 “Revenue Recognition” (“ASC 605”). The Company primarily recognizes revenues from services as the services are performed, which is based on either a per minute, per call, per transaction or per time and material basis, under a fully executed contractual agreement and record reductions to revenues for contractual penalties and holdbacks for failure to meet specified minimum service levels and other performance based contingencies. Revenue recognition is limited to the amount that is not contingent upon delivery of any future product or service or meeting other specified performance conditions. Product sales, accounted for within our fulfillment services, are recognized upon shipment to the customer and satisfaction of all obligations.

Revenues from fulfillment services account for 0.7%, 1.6% and 1.4% of total consolidated revenues for the years ended December 31, 2016, 2015 and 2014, respectively, some of which contain multiple-deliverables. The service offerings for these fulfillment service contracts typically include pick-pack-and-ship, warehousing, process management, finished goods assembly and pass-through costs. In accordance with ASC 605-25 “*Revenue Recognition — Multiple-Element Arrangements*” (“ASC 605-25”) [as amended by Accounting Standards Update (“ASU”) 2009-13 “*Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements — a consensus of the FASB Emerging Issues Task Force*” (“ASU 2009-13”)], the Company determines if the services provided under these contracts with multiple-deliverables represent separate units of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value, and where return rights exist, delivery or performance of the undelivered items is considered probable and substantially within our control. If those deliverables are determined to be separate units of accounting, revenues from these services are recognized as the services are performed under a fully executed contractual agreement. If those deliverables are not determined to be separate units of accounting, revenue for the delivered services are bundled into a single unit of accounting and recognized on the proportional performance method using the straight-line basis over the contract period, or the actual number of operational seats used to serve the client, as appropriate.

The Company allocates revenue to each of the deliverables based on a selling price hierarchy of vendor specific objective evidence (“VSOE”), third-party evidence, and then estimated selling price. VSOE is based on the price charged when the deliverable is sold separately. Third-party evidence is based on largely interchangeable competitor services in standalone sales to similarly situated customers. Estimated selling price is based on the Company’s best estimate of what the selling prices of deliverables would be if they were sold regularly on a standalone basis. Estimated selling price is established considering multiple factors including, but not limited to, pricing practices in different geographies, service offerings, and customer classifications. Once the Company allocates revenue to each deliverable, the Company recognizes revenue when all revenue recognition criteria are met. As of December 31, 2016, the Company’s fulfillment contracts with multiple-deliverables met the separation criteria as outlined in ASC 605-25 and the revenue was accounted for accordingly. Other than these fulfillment contracts, the Company had no other contracts that contain multiple-deliverables as of December 31, 2016.

Cash and Cash Equivalents — Cash and cash equivalents consist of cash and highly liquid short-term investments. Cash in the amount of \$266.7 million and \$235.4 million at December 31, 2016 and 2015, respectively, was primarily held in non-interest bearing investments, which have original maturities of less than 90 days. Cash and cash equivalents of \$243.8 million and \$221.7 million at December 31, 2016 and 2015, respectively, were held in international operations and may be subject to additional taxes if repatriated to the United States (“U.S.”).

Restricted Cash — Restricted cash includes cash whereby the Company’s ability to use the funds at any time is contractually limited or is generally designated for specific purposes arising out of certain contractual or other obligations. Restricted cash is included in “Other current assets” and “Deferred charges and other assets” in the accompanying Consolidated Balance Sheets.

Allowance for Doubtful Accounts — The Company maintains allowances for doubtful accounts on trade account receivables for estimated losses arising from the inability of its customers to make required payments. The Company’s estimate is based on qualitative and quantitative analyses, including credit risk measurement tools and methodologies using the publicly available credit and capital market information, a review of the current status of the Company’s trade accounts receivable and historical collection experience of the Company’s clients. It is reasonably possible that the Company’s estimate of the allowance for doubtful accounts will change if the financial condition of the Company’s customers were to deteriorate, resulting in a reduced ability to make payments.

Property and Equipment — Property and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets. Improvements to leased premises are amortized over the shorter of the related lease term or the estimated useful lives of the improvements. Cost and related accumulated depreciation on assets retired or disposed of are removed from the accounts and any resulting gains or losses are credited or charged to income. The Company capitalizes certain costs incurred, if any, to internally develop software upon the establishment of technological feasibility. Costs incurred prior to the establishment of technological feasibility are expensed as incurred.

The carrying value of property and equipment to be held and used is evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with ASC 360 “*Property, Plant and Equipment*.” For purposes of recognition and measurement of an impairment loss, assets are grouped at the lowest levels for which there are identifiable cash flows (the “asset group”). An asset is considered to

be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition does not exceed its carrying amount. The amount of the impairment loss, if any, is measured as the amount by which the carrying value of the asset exceeds its estimated fair value, which is generally determined based on appraisals or sales prices of comparable assets or independent third party offers. Occasionally, the Company redeploys property and equipment from under-utilized centers to other locations to improve capacity utilization if it is determined that the related undiscounted future cash flows in the under-utilized centers would not be sufficient to recover the carrying amount of these assets. The Company determined that its property and equipment were not impaired as of December 31, 2016 and 2015.

Rent Expense — The Company has entered into operating lease agreements, some of which contain provisions for future rent increases, rent free periods, or periods in which rent payments are reduced. The total amount of the rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease in accordance with ASC 840 “Leases.”

Goodwill — The Company accounts for goodwill and other intangible assets under 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 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.

Intangible Assets — Intangible assets, primarily customer relationships and trade names, are amortized using the straight-line method over their estimated useful lives which approximate the pattern in which the economic benefits of the assets are consumed. The Company periodically evaluates the recoverability of intangible assets and takes into account events or changes in circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. Fair value for intangible assets is based on discounted cash flows, market multiples and/or appraised values, as appropriate.

Income Taxes — The Company accounts for income taxes under ASC 740 “Income Taxes” (“ASC 740”) which requires recognition of deferred tax assets and liabilities to reflect tax consequences of differences between the tax bases of assets and liabilities and their reported amounts in the accompanying consolidated financial statements. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, both positive and negative, for each respective tax jurisdiction, it is more likely than not that the deferred tax assets will not be realized in accordance with the criteria of ASC 740. Valuation allowances are established against deferred tax assets due to an uncertainty of realization. Valuation allowances are reviewed each period on a tax jurisdiction by tax jurisdiction basis to analyze whether there is sufficient positive or negative evidence, in accordance with criteria of ASC 740, to support a change in judgment about the ability to realize the related deferred tax assets. Uncertainties regarding expected future income in certain jurisdictions could affect the realization of deferred tax assets in those jurisdictions.

The Company evaluates tax positions that have been taken or are expected to be taken in its tax returns, and records a liability for uncertain tax positions in accordance with ASC 740. ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. First, tax positions are recognized if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, the tax position is measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement. The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes in the accompanying consolidated financial statements.

Self-Insurance Programs — The Company self-insures for certain levels of workers' compensation and self-funds the medical, prescription drug and dental benefit plans in the United States. Estimated costs are accrued at the

projected settlements for known and anticipated claims. Amounts related to these self-insurance programs are included in “Accrued employee compensation and benefits” and “Other long-term liabilities” in the accompanying Consolidated Balance Sheets.

Deferred Grants — Recognition of income associated with grants for land and the acquisition of property, buildings and equipment (together, “property grants”) is deferred until after the completion and occupancy of the building and title has passed to the Company, and the funds have been released from escrow. The deferred amounts for both land and building are amortized and recognized as a reduction of depreciation expense over the corresponding useful lives of the related assets. Amounts received in excess of the cost of the building are allocated to the cost of equipment and, only after the grants are released from escrow, recognized as a reduction of depreciation expense over the weighted average useful life of the related equipment, which approximates five years. Upon sale of the related facilities, any deferred grant balance is recognized in full and is included in the gain on sale of property and equipment.

The Company receives government employment grants as an incentive to create and maintain permanent employment positions for a specified time period. These grants are repayable, under certain terms and conditions, if the Company's relevant employment levels do not meet or exceed the employment levels set forth in the grant agreements. Accordingly, grant monies received are deferred and amortized primarily as a reduction to “Direct salaries and related costs” using the proportionate performance model over the required employment period.

The Company receives government lease grants as an incentive for leasing space at specific locations or locating engagement centers in a government's jurisdiction. These grants are repayable, under certain terms and conditions, as set forth in the grant agreements. Accordingly, grant monies received are deferred and amortized primarily as a reduction to rent expense included in “General and administrative” over the required lease period.

Deferred Revenue — The Company receives up-front fees in connection with certain contracts. The deferred revenue is earned over the service periods of the respective contracts, which range from 30 days to seven years. Deferred revenue included in current liabilities in the accompanying Consolidated Balance Sheets includes the up-front fees associated with services to be provided over the ensuing twelve month period and the up-front fees associated with services to be provided over multiple years in connection with contracts that contain cancellation and refund provisions, whereby the manufacturers or customers can terminate the contracts and demand pro-rata refunds of the up-front fees with short notice. Deferred revenue from estimated penalties and holdbacks results from the failure to meet specified minimum service levels in certain contracts and other performance based contingencies. Deferred revenue from estimated chargebacks reflects the right of certain of the Company's clients to chargeback accounts that do not meet certain requirements for specified periods after a sale has occurred.

Customer-Acquisition Advertising Costs — The Company utilizes direct-response advertising the primary purpose of which is to elicit purchases from its clients' customers. These costs are capitalized when they are expected to result in probable future benefits and are amortized over the period during which future benefits are expected to be received, which is generally less than one month. All other advertising costs are expensed as incurred. As of December 31, 2016, the Company had less than \$0.1 million of capitalized direct-response advertising costs included in “Prepaid expenses” in the accompanying Consolidated Balance Sheet (none in 2015 or 2014). Total advertising costs included in “Direct salaries and related costs” in the accompanying Consolidated Income Statement for the year ended December 31, 2016 was \$28.1 million (none in 2015 or 2014).

Stock-Based Compensation — The Company has three stock-based compensation plans: the 2011 Equity Incentive Plan (for employees and certain non-employees), the Non-Employee Director Fee Plan (for non-employee directors), both approved by the shareholders, and the Deferred Compensation Plan (for certain eligible employees). All of these plans are discussed more fully in Note 24, Stock-Based Compensation. Stock-based awards under these plans may consist of common stock, stock options, cash-settled or stock-settled stock appreciation rights, restricted stock and other stock-based awards. The Company issues common stock and uses treasury stock to satisfy stock option exercises or vesting of stock awards.

In accordance with ASC 718 “Compensation — Stock Compensation” (“ASC 718”), the Company recognizes in its accompanying Consolidated Statements of Operations the grant-date fair value of stock options and other equity-based compensation issued to employees and directors. Compensation expense for equity-based awards is recognized over the requisite service period, usually the vesting period, while compensation expense for liability-based awards (those usually settled in cash rather than stock) is re-measured to fair value at each balance sheet date until the awards are settled.

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.
- Embedded derivatives — Embedded derivatives within certain hybrid lease agreements are bifurcated from the host contract and recognized at fair value based on pricing models or formulas using significant unobservable inputs, 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 — Contingent consideration is recognized at fair value based on the discounted cash flow method.

Fair Value Measurements — ASC 820 “*Fair Value Measurements and Disclosures*” (“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.

A description of the Company’s policies regarding fair value measurement is summarized below.

Fair Value Hierarchy — ASC 820-10-35 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.

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.

Embedded Derivatives — The Company uses significant unobservable inputs to determine the fair value of embedded derivatives, which are classified in Level 3 of the fair value hierarchy. These unobservable inputs include expected cash flows associated with the lease, currency exchange rates on the day of commencement, as well as forward currency exchange rates; results of which are adjusted for credit risk. These items are classified in Level 3 of the fair value hierarchy. See Note 10, Financial Derivatives, for further information.

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 11, Investments Held in Rabbi Trust, and Note 24, Stock-Based Compensation.

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 recorded related to the Qelp acquisition and liabilities assumed as part of the Clearlink acquisition was recognized at fair value using a discounted cash flow methodology and a discount rate of approximately 14.0% and 10.0%, respectively. The discount rates vary dependent on the specific risks of each 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.

Foreign Currency Translation — The assets and liabilities of the Company’s foreign subsidiaries, whose functional currency is other than the U.S. Dollar, are translated at the exchange rates in effect on the reporting date, and income and expenses are translated at the weighted average exchange rate during the period. The net effect of translation gains and losses is not included in determining net income, but is included in “Accumulated other comprehensive income (loss)” (“AOCI”), which is reflected as a separate component of shareholders’ equity until the sale or until the complete or substantially complete liquidation of the net investment in the foreign subsidiary. Foreign currency transactional gains and losses are included in “Other income (expense)” in the accompanying Consolidated Statements of Operations.

Foreign Currency and Derivative Instruments — The Company accounts for financial derivative instruments under ASC 815 “Derivatives and Hedging” (“ASC 815”). The Company generally utilizes non-deliverable forward contracts and options expiring within one to 24 months to reduce its foreign currency exposure due to exchange rate fluctuations on forecasted cash flows denominated in non-functional foreign currencies and net investments in foreign operations. In using derivative financial instruments to hedge exposures to changes in exchange rates, the Company exposes itself to counterparty credit risk.

The Company designates derivatives as either (1) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (“cash flow” hedge); (2) a hedge of a net investment in a foreign operation; or (3) a derivative that does not qualify for hedge accounting. To qualify for hedge accounting treatment, a derivative must be highly effective in mitigating the designated risk of the hedged item. Effectiveness of the hedge is formally assessed at inception and throughout the life of the hedging relationship. Even if a derivative qualifies for hedge accounting treatment, there may be an element of ineffectiveness of the hedge.

Changes in the fair value of derivatives that are highly effective and designated as cash flow hedges are recorded in AOCI, until the forecasted underlying transactions occur. Any realized gains or losses resulting from the cash flow

hedges are recognized together with the hedged transaction within “Revenues”. Changes in the fair value of derivatives that are highly effective and designated as a net investment hedge are recorded in cumulative translation adjustment in AOCI, offsetting the change in cumulative translation adjustment attributable to the hedged portion of the Company’s net investment in the foreign operation. Any realized gains and losses from settlements of the net investment hedge remain in AOCI until partial or complete liquidation of the net investment. Ineffectiveness is measured based on the change in fair value of the forward contracts and options and the fair value of the hypothetical derivatives with terms that match the critical terms of the risk being hedged. Hedge ineffectiveness is recognized within “Revenues” for cash flow hedges and within “Other income (expense)” for net investment hedges. Cash flows from the derivative contracts are classified within the operating section in the accompanying Consolidated Statements of Cash Flows.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging activities. This process includes linking all derivatives that are designated as cash flow hedges to forecasted transactions. Hedges of a net investment in a foreign operation are linked to the specific foreign operation. The Company also formally assesses, both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective on a prospective and retrospective basis. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge or if a forecasted hedge is no longer probable of occurring, or if the Company de-designates a derivative as a hedge, the Company discontinues hedge accounting prospectively. At December 31, 2016 and 2015, all hedges were determined to be highly effective.

The Company also periodically enters into forward contracts that are not designated as hedges as defined under ASC 815. The purpose of these derivative instruments is to reduce the effects from fluctuations caused by volatility in currency exchange rates on the Company’s operating results and cash flows. Changes in the fair value of the derivative instruments are included in “Revenues” or “Other income (expense)”, depending on the underlying risk exposure. See Note 10, Financial Derivatives, for further information on financial derivative instruments.

Reclassifications — Certain balances in prior years have been reclassified to conform to current year presentation.

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. In 2016, the FASB issued additional ASUs that are part of the overall new revenue guidance including: ASU 2016-08, “*Revenue from Contracts with Customers (Topic 606) – Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*”, ASU 2016-10, “*Revenue from Contracts with Customers (Topic 606) – Identifying Performance Obligations and Licensing*”, ASU 2016-11, “*Revenue Recognition and Derivatives and Hedging: Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 Emerging Issues Task Force Meeting (“EITF”)*” and ASU 2016-12, “*Revenue from Contracts with Customers (Topic 606) – Narrow-Scope Improvements and Practical Expedients*”.

The Company is evaluating the impact of ASU 2014-09 and the related ASUs. Based on the preliminary results of its evaluation, the Company does not expect the adoption of these ASUs on January 1, 2018 to have a material impact on the recognition of revenue. The Company expects to complete its assessment by the end of the third quarter of 2017, including selecting a transition method.

In January 2016, the FASB issued ASU 2016-01, “*Financial Instruments - Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities*” (“ASU 2016-01”). These amendments modify how entities measure equity investments and present changes in the fair value of financial liabilities. Under the new guidance, entities will have to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicality exception. A practicality exception will apply to those equity investments that do not have a readily determinable fair value and do not qualify for the practical expedient to estimate fair value under Accounting Standards Codification (“ASC”) 820, “*Fair Value Measurements*”, and as such, these investments may be measured at cost. These amendments are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company does not expect the adoption of ASU 2016-01 to materially impact its financial condition, results of operations and cash flows.

In February 2016, the FASB issued ASU 2016-02, “*Leases (Topic 842)*” (“ASU 2016-02”). These amendments require the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases currently classified as operating leases under ASC 840, “*Leases*”. These amendments also require qualitative disclosures along with specific quantitative disclosures. These amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. Entities are required to apply the amendments at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial condition, results of operations and cash flows.

In March 2016, the FASB issued ASU 2016-05, “*Derivatives and Hedging (Topic 815) – Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*” (“ASU 2016-05”). These amendments clarify that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. These amendments are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company does not expect the prospective adoption of ASU 2016-05 to have a material impact on its financial condition, results of operations and cash flows.

In March 2016, the FASB issued ASU 2016-09, “*Compensation – Stock Compensation (Topic 718) – Improvements to Employee Share-Based Payment Accounting*” (“ASU 2016-09”). These amendments are intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. These amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company is currently evaluating the impact the guidance will have on its financial condition, results of operations and cash flows.

In June 2016, the FASB issued ASU 2016-13, “*Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments*” (“ASU 2016-13”). These amendments require measurement and recognition of expected versus incurred credit losses for financial assets held. These amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact the guidance will have on its financial condition, results of operations and cash flows.

In August 2016, the FASB issued ASU 2016-15, “*Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments*” (“ASU 2016-15”). These amendments clarify the presentation of cash receipts and payments in eight specific situations. These amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. These amendments will be applied using a retrospective transition method to each period presented. Early adoption is permitted, including adoption in an interim period. The Company does not expect the adoption of ASU 2016-15 to materially impact its financial condition, results of operations and cash flows.

In October 2016, the FASB issued ASU 2016-16, “*Income Taxes (Topic 740) – Intra-Entity Transfers of Assets Other than Inventory*” (“ASU 2016-16”). These amendments require recognition of the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. These amendments are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. These amendments will be applied using a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements (interim or

annual) have not been issued. The Company does not expect the adoption of ASU 2016-16 to materially impact its financial condition, results of operations and cash flows.

In November 2016, the FASB issued ASU 2016-18, “*Statement of Cash Flows (Topic 230) – Restricted Cash (A Consensus of the FASB Emerging Issues Task Force)*” (“ASU 2016-18”). These amendments clarify how entities should present restricted cash and restricted cash equivalents in the statement of cash flows, requiring entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents. These amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. These amendments will be applied using a retrospective transition method to each period presented. Early adoption is permitted, including adoption in an interim period. The Company does not expect the adoption of ASU 2016-18 to materially impact its financial condition, results of operations and cash flows.

In January 2017, the FASB issued ASU 2017-01, “*Business Combinations (Topic 805) – Clarifying the Definition of a Business*” (“ASU 2017-01”). These amendments clarify the definition of a business to help companies evaluate whether transactions should be accounted for as acquisitions or disposals of assets or businesses. These amendments are effective for annual periods beginning after December 15, 2017, including interim periods within those periods. These amendments will be applied prospectively. Early adoption is permitted in certain circumstances. The Company does not expect the adoption of ASU 2017-01 to materially impact its financial condition, results of operations and cash flows.

In January 2017, the FASB issued ASU 2017-04, “*Intangibles – Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment*” (“ASU 2017-04”). These amendments simplify the test for goodwill impairment by eliminating Step 2 from the impairment test, which required the entity to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining fair value of assets acquired and liabilities assumed in a business combination. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. These amendments are effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. These amendments will be applied on a prospective basis, with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not expect the adoption of ASU 2017-04 to materially impact its financial condition, results of operations and cash flows.

New Accounting Standards Recently Adopted

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 ASC 718, “*Compensation — Stock Compensation*” (“ASC 718”), as it relates to awards with performance conditions that affect vesting to account for such awards. These amendments, adopted prospectively, were effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. The adoption of ASU 2014-12 on January 1, 2016 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

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 2015-01”). The amendments eliminate from U.S. GAAP the concept of extraordinary items as part of the FASB’s initiative to reduce complexity in accounting standards. These amendments, adopted prospectively, were effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The adoption of ASU 2015-01 on January 1, 2016 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

In February 2015, the FASB issued ASU 2015-02, “*Consolidation (Topic 810) Amendments to the Consolidation Analysis*” (“ASU 2015-02”). The 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. These amendments, adopted retrospectively, were effective for fiscal years, and for interim periods within those fiscal years, beginning

after December 15, 2015. The adoption of ASU 2015-02 on January 1, 2016 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

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 were effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The adoption of ASU 2015-03 on January 1, 2016 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

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, adopted prospectively, were effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. The adoption of ASU 2015-05 on January 1, 2016 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

In September 2015, the FASB issued ASU 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, adopted prospectively, were effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The adoption of ASU 2015-16 on January 1, 2016 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

In November 2015, the FASB issued ASU 2015-17, “*Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes*” (“ASU 2015-17”). These amendments require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The existing requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by these amendments. These amendments, adopted prospectively, were effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, with early adoption permitted. The adoption of ASU 2015-17 on January 1, 2016 resulted in the reclassification of \$12.0 million of current deferred tax assets included in “Other current assets” and \$1.1 million of current deferred tax liabilities included in “Current deferred income tax liabilities” to noncurrent deferred income tax assets and liabilities. All future deferred tax assets and liabilities will be classified as noncurrent. No prior periods were adjusted.

Note 2. Acquisitions

Clearlink

On April 1, 2016, the Company acquired 100% of the outstanding membership units of Clearlink through a merger of Clearlink with and into a subsidiary of the Company (the “Merger”). Clearlink, with its operations located in the United States, is an inbound demand generation and sales conversion platform serving numerous Fortune 500 business-to-consumer and business-to-business clients across various industries and subsectors, including telecommunications, satellite television, home security and insurance. The results of Clearlink’s operations have been included in the Company’s consolidated financial statements since April 1, 2016 (the “Clearlink acquisition date”). The strategic acquisition of Clearlink expands the Company’s suite of service offerings while creating differentiation in the marketplace, broadening its addressable market opportunity and extending executive level reach within the Company’s existing clients’ organizations. This resulted in the Company paying a substantial premium for Clearlink resulting in the recognition of goodwill. Pursuant to Federal income tax laws, intangible assets and goodwill from the Clearlink acquisition are deductible over a 15-year amortization period.

The Clearlink purchase price totaled \$207.9 million, consisting of the following:

	Total
Cash ⁽¹⁾	\$ 209,186
Working capital adjustment	(1,278)
	<u>\$ 207,908</u>

⁽¹⁾ Funded through borrowings under the Company's credit agreement. See Note 18, Borrowings, for more information.

Approximately \$2.6 million of the purchase price was placed in an escrow account as security for the indemnification obligations of Clearlink’s members under the merger agreement.

The following table summarizes the estimated Clearlink acquisition date fair values of the assets acquired and liabilities assumed (all included in the Americas segment), the measurement period adjustments and the final purchase price allocation (in thousands):

	Initial Purchase Price Allocation	Measurement Period Adjustments	Final Purchase Price Allocation
Cash and cash equivalents	\$ 2,584	\$ -	\$ 2,584
Receivables ⁽¹⁾	16,801	-	16,801
Prepaid expenses	1,553	-	1,553
Total current assets	<u>20,938</u>	<u>-</u>	<u>20,938</u>
Property and equipment	12,869	-	12,869
Goodwill	70,223	340	70,563
Intangibles	121,400	-	121,400
Deferred charges and other assets	229	-	229
Accounts payable	(3,564)	-	(3,564)
Accrued employee compensation and benefits	(1,610)	-	(1,610)
Income taxes payable	-	(340)	(340)
Deferred revenue	(4,620)	-	(4,620)
Other accrued expenses and current liabilities	(6,324)	-	(6,324)
Total current liabilities	<u>(16,118)</u>	<u>(340)</u>	<u>(16,458)</u>
Other long-term liabilities	(1,633)	-	(1,633)
	<u>\$ 207,908</u>	<u>\$ -</u>	<u>\$ 207,908</u>

⁽¹⁾ The fair value equals the gross contractual value of the receivables.

The Company accounted for the Clearlink acquisition in accordance with ASC 805, “Business Combinations” (“ASC 805”), whereby the purchase price paid was allocated to the tangible and identifiable intangibles acquired and liabilities assumed from Clearlink based on their estimated fair values as of the closing date. The Company completed its analysis of the purchase price allocation during the fourth quarter of 2016 and the resulting

adjustments of \$0.3 million to income taxes payable and goodwill were recorded in accordance with ASU 2015-16, “*Business Combinations (Topic 805) Simplifying the Accounting for Measurement-Period Adjustments.*”

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 April 1, 2016, the Clearlink acquisition date (in thousands):

	<u>Amount Assigned</u>	<u>Weighted Average Amortization Period (years)</u>
Customer relationships	\$ 63,800	13
Trade name	2,400	7
Non-compete agreements	1,800	3
Proprietary software	700	5
Indefinite-lived domain names	52,700	N/A
	<u>\$ 121,400</u>	7

The amount of Clearlink’s revenues and net income since the April 1, 2016 acquisition date, included in the Company’s Consolidated Statements of Operations for the period indicated below, was as follows (in thousands):

	<u>From April 1, 2016 Through December 31, 2016</u>
Revenues	\$ 123,289
Net income	\$ 1,563

The following table presents the unaudited pro forma combined revenues and net earnings as if Clearlink had been included in the consolidated results of the Company for the entire years ended December 31, 2016 and 2015. The pro forma financial information is not indicative of the results of operations that would have been achieved if the acquisition and related borrowings had taken place on January 1, 2016 and 2015 (in thousands):

	<u>Years Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Revenues	\$ 1,493,866	\$ 1,407,850
Net income	\$ 65,662	\$ 69,801
Net income per common share:		
Basic	\$ 1.57	\$ 1.67
Diluted	\$ 1.55	\$ 1.64

These amounts have been calculated to reflect the additional depreciation, amortization, interest expense and rent expense that would have been incurred assuming the fair value adjustments and borrowings occurred on January 1, 2016 and January 1, 2015, together with the consequential tax effects. In addition, these amounts exclude costs incurred which are directly attributable to the acquisition, and which do not have a continuing impact on the combined companies’ operating results. Included in these costs are advisory and legal costs, net of the tax effects.

Merger and integration costs associated with Clearlink included in “General and administrative” costs in the accompanying Consolidated Statement of Operations for the year ended December 31, 2016 were as follows (none in 2015 or 2014) (in thousands):

	Year Ended	
	December 31, 2016	
Severance costs:		
Americas	\$	135
Transaction and integration costs:		
Americas		29
Other		4,470
		<u>4,499</u>
Total merger and integration costs	<u>\$</u>	<u>4,634</u>

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 self-service 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”).

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)
	<u>\$</u>	<u>15,820</u>

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. 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.

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 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 were recorded in the Company’s Consolidated Statements of Operations.

On September 26, 2016, the Company entered into an addendum to the Qelp Purchase Agreement with the Sellers to settle the outstanding contingent consideration for EUR 4.0 million (\$4.2 million as of December 31, 2016) to be paid on June 30, 2017.

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. The Company completed 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):

	July 2, 2015 (As Initially Reported)	Measurement Period Adjustments	July 2, 2015 (As Adjusted)
Cash and cash equivalents	\$ 450	\$ -	\$ 450
Receivables ⁽¹⁾	1,541	(70)	1,471
Prepaid expenses	24	-	24
Total current assets	2,015	(70)	1,945
Property and equipment	2,168	-	2,168
Goodwill	9,574	480	10,054
Intangibles	6,000	-	6,000
Deferred charges and other assets	55	-	55
Short-term debt	(323)	-	(323)
Accrued employee compensation and benefits	(207)	-	(207)
Income taxes payable	(62)	(32)	(94)
Deferred revenue	(967)	-	(967)
Other accrued expenses and current liabilities	(1,030)	-	(1,030)
Total current liabilities	(2,589)	(32)	(2,621)
Other long-term liabilities ⁽²⁾	(1,403)	(378)	(1,781)
	<u>\$ 15,820</u>	<u>\$ -</u>	<u>\$ 15,820</u>

⁽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
	<u>\$ 6,000</u>	7

The amount of Qelp’s revenues and net (loss) since the July 2, 2015 acquisition date, included in the Company’s Consolidated Statement of Operations for the year ended December 31, 2015 were as follows (in thousands):

	From July 2, 2015 Through December 31, 2015
Revenues	\$ 2,661
Net (loss)	\$ (162)

Merger and integration costs associated with Qelp included in “General and administrative” costs in the accompanying Consolidated Statement of Operations in the Other segment for the year ended December 31, 2015 were as follows (none in 2016 and 2014) (in thousands):

	Year Ended
	December 31, 2015
Transaction costs	<u>\$ 455</u>

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 engagement 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 \$16.2 million in cash through December 31, 2016 under these Exit Plans.

The cumulative costs expected and incurred as a result of the Exit Plans were as follows as of December 31, 2016 (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	<u>\$ 1,845</u>	<u>\$ 6,460</u>	<u>\$ 2,258</u>	<u>\$ 10,576</u>	<u>\$ 21,139</u>

The following table summarizes the accrued liability associated with the Exit Plans’ exit or disposal activities and related charges (reversals) for the years ended December 31, 2016, 2015 and 2014 (in thousands):

	Lease Obligation and Facility Exit Costs	Severance and Related Costs	Total
Balance at January 1, 2014	\$ 2,843	\$ 131	\$ 2,974
Charges (reversals) ⁽¹⁾	(185)	(129)	(314)
Cash payments	(1,095)	-	(1,095)
Other non-cash changes ⁽²⁾	(5)	(2)	(7)
Balance at December 31, 2014	1,558	-	1,558
Charges (reversals)	-	-	-
Cash payments	(825)	-	(825)
Other non-cash changes ⁽²⁾	-	-	-
Balance at December 31, 2015	733	-	733
Charges (reversals)	-	-	-
Cash payments	(733)	-	(733)
Other non-cash changes ⁽²⁾	-	-	-
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

⁽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 in EMEA for the Ireland sites, which reduced “General and administrative” costs in the accompanying Consolidated Statement of Operations.

⁽²⁾ Effect of foreign currency translation.

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 December 31, 2016 and 2015 (in thousands):

	Americas Fourth Quarter 2011 Exit Plan	Americas Third Quarter 2010 Exit Plan	Total
December 31, 2016			
Short-term accrued restructuring liability ⁽¹⁾	\$ -	\$ -	\$ -
Long-term accrued restructuring liability ⁽²⁾	-	-	-
Ending accrual at December 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2015			
Short-term accrued restructuring liability ⁽¹⁾	\$ 144	\$ 487	\$ 631
Long-term accrued restructuring liability ⁽²⁾	22	80	102
Ending accrual at December 31, 2015	<u>\$ 166</u>	<u>\$ 567</u>	<u>\$ 733</u>

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

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

As of December 31, 2016, there is no future restructuring liability outstanding for the remainder of the lease terms, the last of which ends in February 2017, for the Americas Fourth Quarter 2011 and Americas Third Quarter 2010 Exit Plans. The EMEA Fourth Quarter 2011 and EMEA Fourth Quarter 2010 Exit Plans were settled during 2014.

Note 4. Fair Value

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 December 31, 2016	Fair Value Measurements at December 31, 2016 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 ⁽¹⁾	\$ 3,921	\$ -	\$ 3,921	\$ -
Embedded derivatives ⁽¹⁾	12	-	-	12
Equity investments held in rabbi trust for the Deferred Compensation Plan ⁽²⁾	7,470	7,470	-	-
Debt investments held in rabbi trust for the Deferred Compensation Plan ⁽²⁾	1,944	1,944	-	-
	<u>\$ 13,347</u>	<u>\$ 9,414</u>	<u>\$ 3,921</u>	<u>\$ 12</u>
Liabilities:				
Long-term debt ⁽³⁾	\$ 267,000	\$ -	\$ 267,000	\$ -
Foreign currency forward and option contracts ⁽¹⁾	1,912	-	1,912	-
Embedded derivatives ⁽¹⁾	567	-	-	567
Contingent consideration included in "Other accrued expenses and current liabilities" ⁽⁴⁾	6,100	-	-	6,100
	<u>\$ 275,579</u>	<u>\$ -</u>	<u>\$ 268,912</u>	<u>\$ 6,667</u>

	Balance at December 31, 2015	Fair Value Measurements at December 31, 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 ⁽¹⁾	\$ 10,962	\$ -	\$ 10,962	\$ -
Equity investments held in rabbi trust for the Deferred Compensation Plan ⁽²⁾	6,229	6,229	-	-
Debt investments held in rabbi trust for the Deferred Compensation Plan ⁽²⁾	1,622	1,622	-	-
Guaranteed investment certificates ⁽⁵⁾	86	-	86	-
	<u>\$ 18,899</u>	<u>\$ 7,851</u>	<u>\$ 11,048</u>	<u>\$ -</u>
Liabilities:				
Long-term debt ⁽³⁾	\$ 70,000	\$ -	\$ 70,000	\$ -
Foreign currency forward and option contracts ⁽¹⁾	835	-	835	-
Contingent consideration included in "Other long-term liabilities" ⁽⁴⁾	6,280	-	-	6,280
	<u>\$ 77,115</u>	<u>\$ -</u>	<u>\$ 70,835</u>	<u>\$ 6,280</u>

⁽¹⁾ See Note 10, Financial Derivatives, for the classification in the accompanying Consolidated Balance Sheets.

⁽²⁾ Included in "Other current assets" in the accompanying Consolidated Balance Sheets. See Note 11, Investments Held in Rabbi Trust.

⁽³⁾ The carrying value of long-term debt approximates its estimated fair value as it re-prices at varying interest rates. See Note 18, Borrowings.

⁽⁴⁾ In the accompanying Consolidated Balance Sheets.

⁽⁵⁾ Included in "Deferred charges and other assets" in the accompanying Consolidated Balance Sheets.

Reconciliations of Fair Value Measurements Categorized within Level 3 of the Fair Value Hierarchy

Embedded Derivatives in Lease Agreements

A rollforward of the net asset (liability) activity in the Company's fair value of the embedded derivatives is as follows (in thousands) (none in 2015 or 2014):

	Fair Value
Balance at January 1, 2016	\$ -
Gain (loss) recognized in "Other income (expense)" ⁽¹⁾	(714)
Effect of foreign currency	159
Balance at December 31, 2016	\$ (555)
Unrealized gain (loss) for the year ended December 31, 2016	\$ (721)

⁽¹⁾ Includes realized and unrealized gain (loss).

Contingent Consideration

A rollforward of the activity in the Company's fair value of the contingent consideration is as follows (in thousands) (none in 2014):

	Fair Value
Balance at January 1, 2015	\$ -
Acquisition ⁽¹⁾	6,000
Payments	-
Imputed interest	408
Fair value adjustments	-
Effect of foreign currency	(128)
Balance at December 31, 2015	6,280
Acquisition ⁽²⁾	2,779
Payments	(1,396)
Imputed interest	754
Fair value adjustments	(2,250)
Effect of foreign currency	(67)
Balance at December 31, 2016	\$ 6,100

⁽¹⁾ Related to the Qelp acquisition on July 2, 2015. See Note 2, Acquisitions.

⁽²⁾ Liability acquired as part of the Clearlink acquisition on April 1, 2016. See Note 2, Acquisitions.

The Company recorded a fair value adjustment of \$2.6 million to the Qelp contingent consideration in "General and administrative" in the accompanying Consolidated Statements of Operations for the year ended December 31, 2016 due to the execution of an addendum to the Qelp Purchase Agreement with the Sellers dated September 26, 2016, subject to which the Company will pay the Sellers EUR 4.0 million on June 30, 2017 (\$4.2 million as of December 31, 2016).

The Company recorded a fair value adjustment of \$(0.3) million to the Clearlink contingent consideration in "General and administrative" in the accompanying Consolidated Statements of Operations in the year ended December 31, 2016 due to changes in the probability of achievement of certain revenue targets.

The Company accretes interest expense each period using the effective interest method until the contingent consideration reaches its estimated future value. Interest expense related to the contingent consideration is included in "Interest (expense)" in the accompanying Consolidated Statements of Operations.

Non-Recurring Fair Value

Certain assets, under certain conditions, are measured at fair value on a nonrecurring basis utilizing Level 3 inputs, as described in Note 1, Overview and Summary of Significant Accounting Policies, 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 December 31, 2016 and 2015.

Note 5. Goodwill and Intangible Assets

Intangible Assets

The following table presents the Company's purchased intangible assets as of December 31, 2016 (in thousands):

	<u>Gross Intangibles</u>	<u>Accumulated Amortization</u>	<u>Net Intangibles</u>	<u>Weighted Average Amortization Period (years)</u>
Intangible assets subject to amortization:				
Customer relationships	\$ 166,634	\$ (75,364)	\$ 91,270	10
Trade names and trademarks	14,095	(7,083)	7,012	7
Non-compete agreements	2,993	(1,643)	1,350	2
Content library	475	(357)	118	2
Proprietary software	1,550	(955)	595	3
Favorable lease agreement	449	(449)	-	2
Intangible assets not subject to amortization:				
Domain names	52,710	-	52,710	N/A
	<u>\$ 238,906</u>	<u>\$ (85,851)</u>	<u>\$ 153,055</u>	6

The following table presents the Company's purchased intangible assets as of December 31, 2015 (in thousands):

	<u>Gross Intangibles</u>	<u>Accumulated Amortization</u>	<u>Net Intangibles</u>	<u>Weighted Average Amortization Period (years)</u>
Intangible assets subject to amortization:				
Customer relationships	\$ 102,594	\$ (58,294)	\$ 44,300	8
Trade names and trademarks	11,698	(5,470)	6,228	8
Content library	491	(123)	368	2
Non-compete agreements	1,190	(1,190)	-	2
Proprietary software	850	(850)	-	2
Favorable lease agreement	449	(449)	-	2
	<u>\$ 117,272</u>	<u>\$ (66,376)</u>	<u>\$ 50,896</u>	8

The Company's estimated future amortization expense for the succeeding years relating to the purchased intangible assets resulting from acquisitions completed prior to December 31, 2016, is as follows (in thousands):

<u>Years Ending December 31,</u>	<u>Amount</u>
2017	\$ 20,759
2018	14,571
2019	13,526
2020	10,871
2021	6,396
2022 and thereafter	34,222

Goodwill

Changes in goodwill for the year ended December 31, 2016 consist of the following (in thousands):

	<u>January 1, 2016</u>	<u>Acquisition ⁽¹⁾</u>	<u>Effect of Foreign Currency</u>	<u>December 31, 2016</u>
Americas	\$ 186,049	\$ 70,563	\$ (770)	\$ 255,842
EMEA	9,684	-	(122)	9,562
	<u>\$ 195,733</u>	<u>\$ 70,563</u>	<u>\$ (892)</u>	<u>\$ 265,404</u>

⁽¹⁾ See Note 2, Acquisitions, for further information.

Changes in goodwill for the year ended December 31, 2015 consist of the following (in thousands):

	<u>January 1, 2015</u>	<u>Acquisition ⁽¹⁾</u>	<u>Effect of Foreign Currency</u>	<u>December 31, 2015</u>
Americas	\$ 193,831	\$ -	\$ (7,782)	\$ 186,049
EMEA	-	10,054	(370)	9,684
	<u>\$ 193,831</u>	<u>\$ 10,054</u>	<u>\$ (8,152)</u>	<u>\$ 195,733</u>

⁽¹⁾ See Note 2, Acquisitions, for further information.

The Company 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, 2016. 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, 2016, the Company concluded that goodwill was not impaired for all six of its reporting units with goodwill, based on generally accepted valuation techniques and the significant assumptions outlined above. While the fair values of four of the six reporting units were substantially in excess of their carrying value, the Qelp reporting unit's fair value exceeded its carrying value (although not substantially) and the newly acquired Clearlink reporting unit's fair value approximated its carrying value due to the proximity to the acquisition date of April 1, 2016. The Clearlink reporting unit's fair value of \$207.9 million includes \$70.6 million of goodwill.

The Qelp and Clearlink reporting units are at risk of future impairment if projected operating results are not met or other inputs into the fair value measurement change. However, as of December 31, 2016, there were no indicators of impairment for either reporting unit.

Note 6. Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade receivables. The Company's credit concentrations are limited due to the wide variety of customers and markets in which the Company's services are sold. See Note 10, Financial Derivatives, for a discussion of the Company's credit risk relating to financial derivative instruments, and Note 25, Segments and Geographic Information, for a discussion of the Company's customer concentration.

Note 7. Receivables, Net

Receivables, net consist of the following (in thousands):

	December 31,	
	2016	2015
Trade accounts receivable	\$ 316,311	\$ 271,729
Income taxes receivable	1,309	4,976
Other	3,863	3,965
	<u>321,483</u>	<u>280,670</u>
Less: Allowance for doubtful accounts	2,925	3,574
	<u>\$ 318,558</u>	<u>\$ 277,096</u>
Allowance for doubtful accounts as a percent of trade receivables ...	<u>0.9%</u>	<u>1.3%</u>

Note 8. Prepaid Expenses

Prepaid expenses consist of the following (in thousands):

	December 31,	
	2016	2015
Prepaid maintenance	\$ 8,279	\$ 7,509
Prepaid insurance	4,161	4,207
Prepaid rent	2,920	1,919
Prepaid other	6,613	3,686
	<u>\$ 21,973</u>	<u>\$ 17,321</u>

Note 9. Other Current Assets

Other current assets consist of the following (in thousands):

	December 31,	
	2016	2015
Deferred tax assets (Note 20)	\$ -	\$ 12,009
Investments held in rabbi trust (Note 11)	9,414	7,851
Financial derivatives (Note 10)	3,929	10,962
Other current assets	2,687	2,440
	<u>\$ 16,030</u>	<u>\$ 33,262</u>

Note 10. 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 and Costa Rican Colon 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 Consolidated Balance Sheets are as follows (in thousands):

	December 31,	
	2016	2015
Deferred gains (losses) in AOCI	\$ (2,295)	\$ (558)
Tax on deferred gains (losses) in AOCI	69	31
Deferred gains (losses) in AOCI, net of taxes	\$ (2,226)	\$ (527)
Deferred gains (losses) expected to be reclassified to "Revenues" from AOCI during the next twelve months	\$ (2,295)	

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 – The Company enters into foreign exchange forward contracts to hedge its net investment in certain foreign operations, 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

Foreign Currency Forward Contracts – 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. See Note 1, Overview and Summary of Significant Accounting Policies, for additional information on the Company’s purpose for entering into derivatives not designated as hedging instruments and its overall risk management strategies.

Embedded Derivatives – The Company enters into certain lease agreements which require payments not denominated in the functional currency of any substantial party to the agreements. The foreign currency component of these contracts meets the criteria under ASC 815 as embedded derivatives. The Company has determined that the embedded derivatives are not clearly and closely related to the economic characteristics and risks of the host contracts (lease agreements), and separate, stand-alone instruments with the same terms as the embedded derivative instruments would otherwise qualify as derivative instruments, thereby requiring separation from the lease agreements and recognition at fair value. Such instruments do not qualify for hedge accounting under ASC 815.

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

Contract Type	As of December 31, 2016		As of December 31, 2015	
	Notional Amount in USD	Settle Through Date	Notional Amount in USD	Settle Through Date
Cash flow hedges:				
Options:				
Philippine Pesos	\$ 51,000	December 2017	\$ 71,750	December 2016
Forwards:				
Costa Rican Colones	45,500	December 2017	34,500	November 2016
Net investment hedges:				
Forwards:				
Euros	76,933	September 2017	63,470	March 2016
Non-designated hedges:				
Forwards	55,614	March 2017	50,603	March 2016
Embedded derivatives	13,234	April 2030	-	-

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 \$3.9 million and \$11.0 million as of December 31, 2016 and 2015, 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 \$3.6 million and \$10.2 million, and liability positions of \$1.6 million and \$0.1 million as of December 31, 2016 and 2015, 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 Consolidated Balance Sheets. Additionally, the Company is not required to pledge, nor is it entitled to receive, cash collateral related to these derivative transactions.

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

	Derivative Assets	
	December 31, 2016	December 31, 2015
	Fair Value	Fair Value
Derivatives designated as cash flow hedging instruments under ASC 815:		
Foreign currency forward and option contracts ⁽¹⁾	\$ -	\$ 544
Derivatives designated as net investment hedging instruments under ASC 815:		
Foreign currency forward contracts ⁽¹⁾	3,230	10,161
	3,230	10,705
Derivatives not designated as hedging instruments under ASC 815:		
Foreign currency forward contracts ⁽¹⁾	691	257
Embedded derivatives ⁽¹⁾	8	-
Embedded derivatives ⁽²⁾	4	-
Total derivative assets	\$ 3,933	\$ 10,962
	Derivative Liabilities	
	December 31, 2016	December 31, 2015
	Fair Value	Fair Value
Derivatives designated as cash flow hedging instruments under ASC 815:		
Foreign currency forward and option contracts ⁽³⁾	\$ 1,806	\$ 396
Derivatives not designated as hedging instruments under ASC 815:		
Foreign currency forward contracts ⁽³⁾	106	439
Embedded derivatives ⁽³⁾	174	-
Embedded derivatives ⁽⁴⁾	393	-
Total derivative liabilities	\$ 2,479	\$ 835

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

(2) Included in "Deferred charges and other assets" in the accompanying Consolidated Balance Sheets.

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

(4) Included in "Other long-term liabilities" in the accompanying Consolidated Balance Sheets.

The following tables present the effect of the Company's derivative instruments included in the accompanying Consolidated Financial Statements for the years ended December 31, 2016, 2015 and 2014 (in thousands):

	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)			Gain (Loss) Reclassified From Accumulated AOCI Into "Revenues" (Effective Portion)			Gain (Loss) Recognized in "Revenues" on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)		
	December 31,			December 31,			December 31,		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Derivatives designated as cash flow hedging instruments under ASC 815:									
Foreign currency forward and option contracts	\$ (2,308)	\$ 1,696	\$ (2,787)	\$ (553)	\$ 2,138	\$ (5,339)	\$ (5)	\$ 12	\$ (3)
Derivatives designated as net investment hedging instruments under ASC 815:									
Foreign currency forward contracts	3,409	6,101	6,344	-	-	-	-	-	-
	<u>\$ 1,101</u>	<u>\$ 7,797</u>	<u>\$ 3,557</u>	<u>\$ (553)</u>	<u>\$ 2,138</u>	<u>\$ (5,339)</u>	<u>\$ (5)</u>	<u>\$ 12</u>	<u>\$ (3)</u>

	Gain (Loss) Recognized in "Other income (expense)" on Derivatives		
	December 31,		
	2016	2015	2014
Derivatives not designated as hedging instruments under ASC 815:			
Foreign currency forward contracts	\$ (1,556)	\$ 1,374	\$ (44)
Embedded derivatives	(714)	-	-
	<u>\$ (2,270)</u>	<u>\$ 1,374</u>	<u>\$ (44)</u>

Note 11. 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 Consolidated Balance Sheets, at fair value, consist of the following (in thousands):

	December 31, 2016		December 31, 2015	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	<u>\$ 7,257</u>	<u>\$ 9,414</u>	<u>\$ 6,217</u>	<u>\$ 7,851</u>

The mutual funds held in the rabbi trust were 79% equity-based and 21% debt-based as of December 31, 2016. Net investment income (losses), included in "Other income (expense)" in the accompanying Consolidated Statements of Operations consists of the following (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Gross realized gains from sale of trading securities	\$ 245	\$ 356	\$ 586
Gross realized (losses) from sale of trading securities	(4)	(1)	-
Dividend and interest income	92	79	58
Net unrealized holding gains (losses)	249	(597)	(276)
Net investment income (losses)	<u>\$ 582</u>	<u>\$ (163)</u>	<u>\$ 368</u>

Note 12. Property and Equipment

Property and equipment consist of the following (in thousands):

	December 31,	
	2016	2015
Land	\$ 3,360	\$ 3,447
Buildings and leasehold improvements	126,323	96,926
Equipment, furniture and fixtures	306,443	291,993
Capitalized internally developed software costs	29,176	17,299
Transportation equipment	531	546
Construction in progress	10,693	8,703
	<u>476,526</u>	<u>418,914</u>
Less: Accumulated depreciation	320,312	306,952
	<u>\$ 156,214</u>	<u>\$ 111,962</u>

Capitalized internally developed software, net of depreciation, included in “Property and equipment, net” in the accompanying Consolidated Balance Sheets was as follows (in thousands):

	December 31,	
	2016	2015
Capitalized internally developed software costs, net	<u>\$ 15,156</u>	<u>\$ 8,135</u>

Sale of Fixed Assets, Land and Building Located in Morganfield, Kentucky

In December 2016, the Company sold the fixed assets, land and building located in Morganfield, Kentucky, with a net carrying value of \$0.3 million, for cash of \$0.5 million (net of selling costs of less than \$0.1 million). This resulted in a net gain on disposal of property and equipment of \$0.2 million, which is included in “Net gain (loss) on disposal of property and equipment” in the accompanying Consolidated Statement of Operations for the year ended December 31, 2016.

Winter Storm Damage

In February 2015, customer engagement 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 Consolidated Statement of Operations for the year ended December 31, 2015.

Sale of Fixed Assets, Land and Building Located in Bismarck, North Dakota

In November 2014, the Company sold the fixed assets, land and building located in Bismarck, North Dakota, with a net carrying value of \$0.5 million, for cash of \$3.1 million (net of selling costs of \$0.2 million). This resulted in a net gain on disposal of property and equipment of \$2.6 million, which is included in “Net gain (loss) on disposal of property and equipment” in the accompanying Consolidated Statement of Operations for the year ended December 31, 2014.

Note 13. Deferred Charges and Other Assets

Deferred charges and other assets consist of the following (in thousands):

	December 31,	
	2016	2015
Non-current mandatory tax security deposits (Note 20).....	\$ 13,810	\$ 13,418
Non-current deferred tax assets (Note 20).....	12,983	1,899
Rent and other deposits	4,816	3,803
Non-current value added tax receivables	581	673
Other	6,304	6,351
	<u>\$ 38,494</u>	<u>\$ 26,144</u>

Note 14. Accrued Employee Compensation and Benefits

Accrued employee compensation and benefits consist of the following (in thousands):

	December 31,	
	2016	2015
Accrued compensation	\$ 38,774	\$ 28,215
Accrued vacation	17,607	16,439
Accrued bonus and commissions	17,540	17,754
Accrued employment taxes	12,134	8,465
Other	6,497	6,373
	<u>\$ 92,552</u>	<u>\$ 77,246</u>

Note 15. Deferred Revenue

Deferred revenue consists of the following (in thousands):

	December 31,	
	2016	2015
Future service	\$ 27,116	\$ 22,112
Estimated potential penalties and holdbacks	6,593	6,007
Estimated chargebacks	5,027	-
	<u>\$ 38,736</u>	<u>\$ 28,119</u>

Note 16. Other Accrued Expenses and Current Liabilities

Other accrued expenses and current liabilities consist of the following (in thousands):

	December 31,	
	2016	2015
Contingent consideration (Note 4)	\$ 6,100	\$ -
Accrued legal and professional fees	2,956	3,079
Accrued rent	2,911	1,812
Customer deposits	2,291	714
Financial derivatives (Note 10)	2,086	835
Accrued roadside assistance claim costs	1,997	1,405
Accrued utilities	1,704	1,097
Accrued telephone charges	1,444	1,381
Accrued equipment and software	745	935
Accrued restructuring (Note 3)	-	631
Other	15,685	9,587
	<u>\$ 37,919</u>	<u>\$ 21,476</u>

Note 17. Deferred Grants

Deferred grants consist of the following (in thousands):

	December 31,	
	2016	2015
Property grants	\$ 3,353	\$ 4,377
Lease grants	502	513
Employment grants	67	149
Total deferred grants	<u>3,922</u>	<u>5,039</u>
Less: Property grants - short-term ⁽¹⁾	-	-
Less: Lease grants - short-term ⁽¹⁾	(94)	(80)
Less: Employment grants - short-term ⁽¹⁾	(67)	(149)
Total long-term deferred grants	<u>\$ 3,761</u>	<u>\$ 4,810</u>

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

Note 18. 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):

	December 31,	
	2016	2015
Revolving credit facility	\$ 267,000	\$ 70,000
Less: Current portion	-	-
Total long-term debt	<u>\$ 267,000</u>	<u>\$ 70,000</u>

On April 1, 2016, the Company borrowed \$216.0 million under its 2015 Credit Agreement in connection with the acquisition of Clearlink, of which \$4.0 million represented a short-term loan to Clearlink for working capital purposes.

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 the rates set forth in the 2015 Credit Agreement. In addition, the Company is required to pay certain customary fees, including a commitment fee determined quarterly based on the Company's leverage ratio and 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 following table presents information related to our credit agreements (dollars in thousands):

	Years Ended December 31,		
	2016	2015	2014
Average daily utilization	\$ 222,612	\$ 69,964	\$ 85,874
Interest expense, including commitment fee ⁽¹⁾	\$ 3,952	\$ 1,307	\$ 1,425
Weighted average interest rate ⁽²⁾	1.8%	1.9%	1.7%

⁽¹⁾ Excludes the amortization of deferred loan fees.

⁽²⁾ Includes the commitment fee.

Note 19. Accumulated Other Comprehensive Income (Loss)

The Company presents data in the 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 Hedges	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	(37,178)	6,101	121	1,708	(12)	(29,260)
Tax (provision) benefit	-	(2,207)	(2)	32	-	(2,177)
Reclassification of (gain) loss to net income	647	-	(53)	(2,195)	(63)	(1,664)
Foreign currency translation	6	-	(45)	39	-	-
Balance at December 31, 2015	(58,601)	4,170	1,029	(527)	267	(53,662)
Pre-tax amount	(13,832)	3,409	212	(2,313)	(9)	(12,533)
Tax (provision) benefit	-	(1,313)	(8)	72	-	(1,249)
Reclassification of (gain) loss to net income	-	-	(52)	527	(58)	417
Foreign currency translation	40	-	(56)	16	-	-
Balance at December 31, 2016	<u>\$ (72,393)</u>	<u>\$ 6,266</u>	<u>\$ 1,125</u>	<u>\$ (2,225)</u>	<u>\$ 200</u>	<u>\$ (67,027)</u>

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

	Years Ended December 31,			Statements of Operations Location
	2016	2015	2014	
Foreign Currency Translation Gain (Loss): ⁽¹⁾				
Pre-tax amount	\$ -	\$ (647)	\$ -	Other income (expense)
Tax (provision) benefit	-	-	-	Income taxes
Reclassification to net income	-	(647)	-	
Actuarial Gain (Loss) Related to Pension Liability: ⁽²⁾				
Pre-tax amount	40	41	50	Direct salaries and related costs
Tax (provision) benefit	12	12	(15)	Income taxes
Reclassification to net income	52	53	35	
Gain (Loss) on Cash Flow Hedging Instruments: ⁽³⁾				
Pre-tax amount	(558)	2,150	(5,342)	Revenues
Tax (provision) benefit	31	45	105	Income taxes
Reclassification to net income	(527)	2,195	(5,237)	
Gain (Loss) on Post Retirement Obligation: ⁽²⁾				
Pre-tax amount	58	63	49	General and administrative
Tax (provision) benefit	-	-	-	Income taxes
Reclassification to net income	58	63	49	
Total reclassification of gain (loss) to net income	\$ (417)	\$ 1,664	\$ (5,153)	

⁽¹⁾ See Note 26, Other Income (Expense), for further information.

⁽²⁾ See Note 23, Defined Benefit Pension Plan and Postretirement Benefits, for further information.

⁽³⁾ See Note 10, Financial Derivatives, for further information.

Except as discussed in Note 20, 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.

Note 20. Income Taxes

The income before income taxes includes the following components (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Domestic (U.S., state and local)	\$ 34,761	\$ 41,178	\$ 28,563
Foreign	54,123	48,805	48,596
Total income before income taxes	\$ 88,884	\$ 89,983	\$ 77,159

Significant components of the income tax provision are as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Current:			
U.S. federal	\$ 9,514	\$ 7,374	\$ 2,579
State and local	1,958	1,051	542
Foreign	12,683	10,446	11,382
Total current provision for income taxes	<u>24,155</u>	<u>18,871</u>	<u>14,503</u>
Deferred:			
U.S. federal	2,007	3,873	5,437
State and local	(526)	(1,227)	(446)
Foreign	858	(131)	(126)
Total deferred provision (benefit) for income taxes	<u>2,339</u>	<u>2,515</u>	<u>4,865</u>
Total provision for income taxes	<u>\$ 26,494</u>	<u>\$ 21,386</u>	<u>\$ 19,368</u>

The temporary differences that give rise to significant portions of the deferred income tax provision (benefit) are as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Net operating loss and tax credit carry forwards	\$ 285	\$ 3,564	\$ 19,335
Accrued expenses/liabilities	1,173	2,856	(4,505)
Depreciation and amortization	1,286	(2,231)	(6,220)
Valuation allowance	901	(1,958)	(3,706)
Deferred statutory income	(1,394)	266	(29)
Other	88	18	(10)
Total deferred provision (benefit) for income taxes	<u>\$ 2,339</u>	<u>\$ 2,515</u>	<u>\$ 4,865</u>

The reconciliation of the income tax provision computed at the U.S. federal statutory tax rate to the Company's effective income tax provision is as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Tax at U.S. federal statutory tax rate	\$ 31,109	\$ 31,494	\$ 27,005
State income taxes, net of federal tax benefit	1,432	(177)	934
Foreign rate differential	(15,837)	(14,030)	(13,164)
Tax holidays	(3,314)	(4,031)	(2,749)
Permanent differences	12,768	11,737	10,170
Tax credits	(4,396)	(4,102)	(4,894)
Foreign withholding and other taxes	2,667	2,321	2,541
Change in valuation allowance, net of related adjustments	994	(631)	(7)
Changes in uncertain tax positions	398	(1,858)	(468)
Other	673	663	-
Total provision for income taxes	<u>\$ 26,494</u>	<u>\$ 21,386</u>	<u>\$ 19,368</u>

Withholding taxes on offshore cash movements assessed by certain foreign governments of \$2.0 million, \$1.7 million and \$1.8 million were included in the provision for income taxes in the accompanying Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014, respectively.

Earnings associated with the investments in the Company's foreign subsidiaries of \$418.6 million at December 31, 2016 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 related to these investments in foreign subsidiaries is not practicable due to the inherent complexity of the multi-national tax environment in which the Company operates.

The Company has been granted tax holidays in The Philippines, Colombia, Costa Rica and El Salvador. The tax holidays have various expiration dates ranging from 2019 through 2028. In some cases, the tax holidays expire without possibility of renewal. In other cases, the Company expects to renew these tax holidays, but there are no assurances from the respective foreign governments that they will renew them. This could potentially result in future adverse tax consequences in the local jurisdiction, the impact of which is not practicable to estimate due to the inherent complexity of estimating critical variables such as long-term future profitability, tax regulations and rates in the multi-national tax environment in which the Company operates. The Company's tax holidays decreased the provision for income taxes by \$3.3 million (\$0.08 per diluted share), \$4.0 million (\$0.09 per diluted share) and \$2.7 million (\$0.06 per diluted share) for the years ended December 31, 2016, 2015 and 2014, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income taxes. The temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below (in thousands):

	December 31,	
	2016	2015
Deferred tax assets:		
Net operating loss and tax credit carryforwards	\$ 31,297	\$ 32,328
Valuation allowance	(30,221)	(30,065)
Accrued expenses	25,593	24,276
Deferred revenue	7,031	3,193
Depreciation and amortization	1,062	953
Other	15	54
	<u>34,777</u>	<u>30,739</u>
Deferred tax liabilities:		
Depreciation and amortization	(23,177)	(19,826)
Deferred statutory income	(986)	(579)
Accrued liabilities	(1,604)	(1,104)
Other	(104)	(119)
	<u>(25,871)</u>	<u>(21,628)</u>
Net deferred tax assets	<u>\$ 8,906</u>	<u>\$ 9,111</u>
	December 31,	
	2016	2015
Classified as follows:		
Other current assets (Note 9)	\$ -	\$ 12,009
Deferred charges and other assets (Note 13).....	12,983	1,899
Current deferred income tax liabilities	-	(1,120)
Other long-term liabilities	(4,077)	(3,677)
Net deferred tax assets	<u>\$ 8,906</u>	<u>\$ 9,111</u>

There are approximately \$145.4 million of income tax loss carryforwards as of December 31, 2016, with varying expiration dates, approximately \$109.5 million relating to foreign operations and \$35.9 million relating to U.S. state operations. With respect to foreign operations, \$88.9 million of the net operating loss carryforwards have an indefinite expiration date and the remaining \$20.6 million net operating loss carryforwards have varying expiration dates through December 2037. Regarding the U.S. state and foreign aforementioned tax loss carryforwards, no benefit has been recognized for \$20.0 million and \$106.0 million, respectively, as the Company does not anticipate that the losses will more likely than not be fully utilized.

The Company has accrued \$8.5 million and \$8.1 million as of December 31, 2016 and 2015, respectively, excluding penalties and interest, for the liability for unrecognized tax benefits. The increase is primarily due to the effects of foreign exchange rate adjustments. The \$8.5 million and \$8.1 million of the unrecognized tax benefits at December 31, 2016 and 2015, respectively, were recorded in "Long-term income tax liabilities" in the accompanying Consolidated Balance Sheets. Had the Company recognized these tax benefits, approximately \$8.5 million and \$8.1 million, and the related interest and penalties, would have favorably impacted the effective tax rate in 2016 and 2015, respectively. The Company anticipates that approximately \$0.5 million of the unrecognized tax benefits will be recognized in the next twelve months due to a lapse in the applicable statute of limitations.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. The Company had \$10.8 million and \$10.4 million accrued for interest and penalties as of December 31, 2016 and 2015, respectively. Of the accrued interest and penalties at December 31, 2016 and 2015, \$3.5 million and \$3.4 million, respectively, relate to statutory penalties. The amount of interest and penalties, net, included in the provision for income taxes in the accompanying Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014 was \$0.4 million, \$0.3 million and \$(0.5) million, respectively.

The tabular reconciliation of the amounts of unrecognized net tax benefits is presented below (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Gross unrecognized tax benefits as of January 1,	\$ 8,116	\$ 13,285	\$ 14,991
Decreases due to lapse in applicable statute of limitations	-	(2,206)	-
Foreign currency translation increases (decreases)	415	(2,963)	(1,706)
Gross unrecognized tax benefits as of December 31,	\$ 8,531	\$ 8,116	\$ 13,285

The Company is currently under audit in several tax jurisdictions. The Company received assessments for the Canadian 2003-2009 audit. Requests for Competent Authority Assistance were filed with both the Canadian Revenue Agency and the U.S. Internal Revenue Service and the Company paid mandatory security deposits to Canada as part of this process. The total amount of deposits, net of the effects of foreign exchange rate adjustments, were \$13.8 million and \$13.4 million as of December 31, 2016 and 2015, respectively, and are included in "Deferred charges and other assets" in the accompanying Consolidated Balance Sheets. Although the outcome of examinations by taxing authorities is always uncertain, the Company believes it is adequately reserved for these audits and that resolution is not expected to have a material impact on its financial condition and results of operations.

The significant tax jurisdictions currently under audit are as follows:

Tax Jurisdiction	Tax Year Ended
Canada	2003 to 2009

The Company and its subsidiaries file federal, state and local income tax returns as required in the U.S. and in various foreign tax jurisdictions. The following table presents the major tax jurisdictions and tax years that are open and subject to examination by the respective tax authorities as of December 31, 2016:

Tax Jurisdiction	Tax Year Ended
Canada	2003 to present
United States ⁽¹⁾	2013 to present

⁽¹⁾ The 2002 to 2012 tax years are open to the extent of the tax credit carry forward amounts.

Note 21. Earnings Per Share

Basic earnings per share is based on the weighted average number of common shares outstanding during the periods. Diluted earnings per share includes the weighted average number of common shares outstanding during the respective periods and the further dilutive effect, if any, from stock appreciation rights, restricted stock, restricted stock units and shares held in a rabbi trust using the treasury stock method.

The numbers of shares used in the earnings per share computation are as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Basic:			
Weighted average common shares outstanding	41,847	41,899	42,609
Diluted:			
Dilutive effect of stock appreciation rights, restricted stock, restricted stock units and shares held in rabbi trust	392	548	205
Total weighted average diluted shares outstanding	<u>42,239</u>	<u>42,447</u>	<u>42,814</u>
Anti-dilutive shares excluded from the diluted earnings per share calculation	<u>20</u>	<u>20</u>	<u>37</u>

On August 18, 2011, the Company's Board of Directors (the "Board") authorized the Company to purchase up to 5.0 million shares of its outstanding common stock (the "2011 Share Repurchase Program"). On March 16, 2016, the Board authorized an increase of 5.0 million shares to the 2011 Share Repurchase Program for a total of 10.0 million shares. A total of 5.3 million shares have been repurchased under the 2011 Share Repurchase Program since inception. The shares are purchased, from time to time, through open market purchases or in negotiated private transactions, and the purchases are based on factors, including but not limited to, the stock price, management discretion and general market conditions. The 2011 Share Repurchase Program has no expiration date.

The shares repurchased under the Company's share repurchase programs were as follows (in thousands, except per share amounts):

For the Years Ended	Total Number of Shares Repurchased	Range of Prices Paid Per Share		Total Cost of Shares Repurchased
		Low	High	
December 31, 2016	390	\$ 27.81	\$ 30.00	\$ 11,144
December 31, 2015	860	\$ 22.81	\$ 25.00	\$ 20,879
December 31, 2014	630	\$ 19.80	\$ 20.00	\$ 12,581

Note 22. Commitments and Loss Contingency

Lease and Purchase Commitments

The Company leases certain equipment and buildings under operating leases, which expire at various dates through 2035, many with options to cancel at varying points during the lease. Fair value renewal and escalation clauses exist for many of the operating leases. Rental expense under operating leases was as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Rental expense	<u>\$ 55,584</u>	<u>\$ 47,208</u>	<u>\$ 44,916</u>

The following is a schedule of future minimum rental payments required under operating leases that have noncancelable lease terms as of December 31, 2016 (in thousands):

	Amount
2017	\$ 46,712
2018	39,774
2019	33,666
2020	27,680
2021	22,012
2022 and thereafter	48,808
Total minimum payments required	<u>\$ 218,652</u>

The Company enters into agreements with third-party vendors in the ordinary course of business whereby the Company commits to purchase goods and services used in its normal operations. These agreements generally are not cancelable, range from one to five year periods and may contain fixed or minimum annual commitments. Certain of these agreements allow for renegotiation of the minimum annual commitments based on certain conditions.

The following is a schedule of future minimum purchases remaining under the agreements as of December 31, 2016 (in thousands):

	Amount
2017	\$ 40,667
2018	7,359
2019	4,091
2020	1,083
2021	239
2022 and thereafter	334
Total minimum payments required	<u>\$ 53,773</u>

On July 2, 2015, the Company completed the Qelp acquisition, which included contingent consideration based on achieving targets tied to revenues and EBITDA for the years ended December 31, 2016, 2017 and 2018. On September 26, 2016, the Company entered into an addendum to the Qelp Purchase Agreement with the Sellers to settle the outstanding contingent consideration for EUR 4.0 million (\$4.2 million as of December 31, 2016) to be paid on June 30, 2017.

As part of the April 2016 Clearlink acquisition, the Company assumed contingent consideration liabilities related to four separate acquisitions made by Clearlink in 2015 and 2016, prior to the Clearlink acquisition. The fair value of the contingent consideration related to these previous acquisitions was \$2.8 million as of April 1, 2016 and was based on achieving targets primarily tied to revenues for varying periods of time during 2016 and 2017. As of December 31, 2016, the fair value of the contingent consideration was \$1.9 million. The estimated future value of the contingent consideration is \$2.0 million and is expected to be paid on varying dates through July 2017.

Indemnities, Commitments and Guarantees

From time to time, during the normal course of business, the Company may make certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These include, but are not limited to: (i) indemnities to clients, vendors and service providers pertaining to claims based on negligence or willful misconduct of the Company and (ii) indemnities involving breach of contract, the accuracy of representations and warranties of the Company, or other liabilities assumed by the Company in certain contracts. In addition, the Company has agreements whereby it will indemnify certain officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The indemnification period covers all pertinent events and occurrences during the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has director and officer insurance coverage that limits its exposure and enables it to recover a portion of any future amounts paid. The Company believes the applicable insurance coverage is generally adequate to cover any estimated potential liability under these indemnification agreements.

The majority of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential for future payments the Company could be obligated to make. The Company has not recorded any liability for these indemnities, commitments and guarantees in the accompanying Consolidated Balance Sheets. In addition, the Company has some client contracts that do not contain contractual provisions for the limitation of liability, and other client contracts that contain agreed upon exceptions to limitation of liability. The Company has not recorded any liability in the accompanying Consolidated Balance Sheets with respect to any client contracts under which the Company has or may have unlimited liability.

Loss Contingency

The Company, from time to time, is involved in legal actions arising in the ordinary course of business. With respect to these matters, management believes that the Company has adequate legal defenses and/or when possible and appropriate, provided adequate accruals related to those matters such that the ultimate outcome will not have a material adverse effect on the Company's financial position or results of operations.

Note 23. Defined Benefit Pension Plan and Postretirement Benefits

Defined Benefit Pension Plans

The Company sponsors non-contributory defined benefit pension plans (the "Pension Plans") for its covered employees in The Philippines. The Pension Plans provide defined benefits based on years of service and final salary. All permanent employees meeting the minimum service requirement are eligible to participate in the Pension Plans. As of December 31, 2016, the Pension Plans were unfunded. The Company expects to make no cash contributions to its Pension Plans during 2017.

The following table provides a reconciliation of the change in the benefit obligation for the Pension Plans and the net amount recognized, included in "Other long-term liabilities", in the accompanying Consolidated Balance Sheets (in thousands):

	December 31,	
	2016	2015
Beginning benefit obligation	\$ 3,409	\$ 3,100
Service cost	443	433
Interest cost	165	135
Actuarial (gains) losses	(212)	(121)
Benefits paid	(72)	-
Effect of foreign currency translation	(182)	(138)
Ending benefit obligation	\$ 3,551	\$ 3,409
Unfunded status	(3,551)	(3,409)
Net amount recognized	\$ (3,551)	\$ (3,409)

The actuarial assumptions used to determine the benefit obligations and net periodic benefit cost for the Pension Plans were as follows:

	Years Ended December 31,		
	2016	2015	2014
Discount rate	5.5-5.6%	5.0-5.4%	4.5-4.9%
Rate of compensation increase	2.0%	2.0%	2.0%

The Company evaluates these assumptions on a periodic basis taking into consideration current market conditions and historical market data. The discount rate is used to calculate expected future cash flows at a present value on the measurement date, which is December 31. This rate represents the market rate for high-quality fixed income investments. A lower discount rate would increase the present value of benefit obligations. Other assumptions include demographic factors such as retirement, mortality and turnover.

The following table provides information about the net periodic benefit cost and other accumulated comprehensive income for the Pension Plans (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Service cost	\$ 443	\$ 433	\$ 387
Interest cost	165	135	104
Recognized actuarial (gains)	(40)	(41)	(50)
Net periodic benefit cost	568	527	441
Unrealized net actuarial (gains), net of tax	(1,126)	(1,029)	(1,008)
Total amount recognized in net periodic benefit cost and other accumulated comprehensive income (loss)	<u>\$ (558)</u>	<u>\$ (502)</u>	<u>\$ (567)</u>

The estimated future benefit payments, which reflect expected future service, as appropriate, are as follows (in thousands):

Years Ending December 31,	Amount
2017	\$ 101
2018	42
2019	244
2020	133
2021	146
2022 - 2026	1,136

The Company expects to recognize less than \$0.1 million of net actuarial gains as a component of net periodic benefit cost in 2017.

Employee Retirement Savings Plans

The Company maintains a 401(k) plan covering defined employees who meet established eligibility requirements. Under the plan provisions, the Company matches 50% of participant contributions to a maximum matching amount of 2% of participant compensation. The Company's contributions included in the accompanying Consolidated Statements of Operations were as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
401(k) plan contributions	<u>\$ 969</u>	<u>\$ 832</u>	<u>\$ 870</u>

Split-Dollar Life Insurance Arrangement

In 1996, the Company entered into a split-dollar life insurance arrangement to benefit the former Chairman and Chief Executive Officer of the Company. Under the terms of the arrangement, the Company retained a collateral interest in the policy to the extent of the premiums paid by the Company. The postretirement benefit obligation included in "Other long-term liabilities" and the unrealized gains (losses) included in "Accumulated other comprehensive income" in the accompanying Consolidated Balance Sheets were as follows (in thousands):

	December 31,	
	2016	2015
Postretirement benefit obligation	\$ 27	\$ 37
Unrealized gains (losses) in AOCI ⁽¹⁾	200	267

⁽¹⁾ Unrealized gains (losses) are due to changes in discount rates related to the postretirement obligation.

Post-Retirement Defined Contribution Healthcare Plan

On January 1, 2005, the Company established a Post-Retirement Defined Contribution Healthcare Plan for eligible employees meeting certain service and age requirements. The plan is fully funded by the participants and accordingly, the Company does not recognize expense relating to the plan.

Note 24. Stock-Based Compensation

The Company's stock-based compensation plans include the 2011 Equity Incentive Plan, the Non-Employee Director Fee Plan and the Deferred Compensation Plan. The following table summarizes the stock-based compensation expense (primarily in the Americas), income tax benefits related to the stock-based compensation and excess tax benefits (deficiencies) (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Stock-based compensation (expense) ⁽¹⁾	\$ (10,779)	\$ (8,749)	\$ (6,381)
Income tax benefit ⁽²⁾	4,150	3,281	2,233
Excess tax benefit (deficiency) from stock-based compensation ⁽³⁾	2,098	422	(82)

⁽¹⁾ Included in "General and administrative" costs in the accompanying Consolidated Statements of Operations.

⁽²⁾ Included in "Income taxes" in the accompanying Consolidated Statements of Operations.

⁽³⁾ Included in "Additional paid-in capital" in the accompanying Consolidated Statements of Changes in Shareholders' Equity.

There were no capitalized stock-based compensation costs at December 31, 2016, 2015 and 2014.

2011 Equity Incentive Plan — The Company's Board adopted the Sykes Enterprises, Incorporated 2011 Equity Incentive Plan (the "2011 Plan") on March 23, 2011, as amended on May 11, 2011 to reduce the number of shares of common stock available to 4.0 million shares. The 2011 Plan was approved by the shareholders at the May 2011 annual shareholders meeting. The 2011 Plan replaced and superseded the Company's 2001 Equity Incentive Plan (the "2001 Plan"), which expired on March 14, 2011. The outstanding awards granted under the 2001 Plan will remain in effect until their exercise, expiration or termination. The 2011 Plan permits the grant of restricted stock, stock appreciation rights, stock options and other stock-based awards to certain employees of the Company, members of the Company's Board of Directors and certain non-employees who provide services to the Company in order to encourage them to remain in the employment of, or to faithfully provide services to, the Company and to increase their interest in the Company's success.

Stock Appreciation Rights — The Board, at the recommendation of the Compensation and Human Resources Development Committee (the "Compensation Committee"), has approved in the past, and may approve in the future, awards of stock-settled stock appreciation rights ("SARs") for eligible participants. SARs represent the right to receive, without payment to the Company, a certain number of shares of common stock, as determined by the Compensation Committee, equal to the amount by which the fair market value of a share of common stock at the time of exercise exceeds the grant price.

The SARs are granted at the fair market value of the Company's common stock on the date of the grant and vest one-third on each of the first three anniversaries of the date of grant, provided the participant is employed by the Company on such date. The SARs have a term of 10 years from the date of grant. In the event of a change in control, the SARs will vest on the date of the change in control, provided that the participant is employed by the Company on the date of the change in control.

All currently outstanding SARs are exercisable within three months after the death, disability, retirement or termination of the participant's employment with the Company, if and to the extent the SARs were exercisable immediately prior to such termination. If the participant's employment is terminated for cause, or the participant terminates his or her own employment with the Company, any portion of the SARs not yet exercised (whether or not vested) terminates immediately on the date of termination of employment.

The fair value of each SAR is estimated on the date of grant using the Black-Scholes valuation model that uses various assumptions. The fair value of the SARs is expensed on a straight-line basis over the requisite service

period. Expected volatility is based on the historical volatility of the Company's stock. The risk-free rate for periods within the contractual life of the award is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the award is granted with a maturity equal to the expected term of the award. Exercises and forfeitures are estimated within the valuation model using employee termination and other historical data. The expected term of the SARs granted represents the period of time the SARs are expected to be outstanding.

The following table summarizes the assumptions used to estimate the fair value of SARs granted:

	Years Ended December 31,		
	2016	2015	2014
Expected volatility	25.3%	34.1%	38.9%
Weighted-average volatility	25.3%	34.1%	38.9%
Expected dividend rate	0.0%	0.0%	0.0%
Expected term (in years)	5.0	5.0	5.0
Risk-free rate	1.5%	1.6%	1.7%

The following table summarizes SARs activity as of December 31, 2016 and for the year then ended:

Stock Appreciation Rights	Shares (000s)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (000s)
Outstanding at January 1, 2016.....	481	\$ -		
Granted	323	\$ -		
Exercised	(151)	\$ -		
Forfeited or expired	(20)	\$ -		
Outstanding at December 31, 2016	633	\$ -	8.2	\$ 1,941
Vested or expected to vest at December 31, 2016	633	\$ -	8.2	\$ 1,941
Exercisable at December 31, 2016	118	\$ -	5.8	\$ 785

The following table summarizes information regarding SARs granted and exercised (in thousands, except per SAR amounts):

	Years Ended December 31,		
	2016	2015	2014
Number of SARs granted	323	217	246
Weighted average grant-date fair value per SAR	\$ 7.68	\$ 8.17	\$ 7.20
Intrinsic value of SARs exercised	\$ 1,691	\$ 5,957	\$ 391
Fair value of SARs vested	\$ 1,520	\$ 1,302	\$ 1,553

The following table summarizes nonvested SARs activity as of December 31, 2016 and for the year then ended:

Nonvested Stock Appreciation Rights	Shares (000s)	Weighted Average Grant- Date Fair Value
Nonvested at January 1, 2016	424	\$ 7.50
Granted	323	\$ 7.68
Vested	(213)	\$ 7.14
Forfeited or expired	(19)	\$ 7.68
Nonvested at December 31, 2016	515	\$ 7.76

As of December 31, 2016, there was \$2.5 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested SARs granted under the 2011 Plan. This cost is expected to be recognized over a weighted average period of 1.4 years.

Restricted Shares – The Board, at the recommendation of the Compensation Committee, has approved in the past, and may approve in the future, awards of performance and employment-based restricted shares (“restricted shares”) for eligible participants. In some instances, where the issuance of restricted shares has adverse tax consequences to the recipient, the Board may instead issue restricted stock units (“RSUs”). The restricted shares are shares of the Company’s common stock (or in the case of RSUs, represent an equivalent number of shares of the Company’s common stock) which are issued to the participant subject to (a) restrictions on transfer for a period of time and (b) forfeiture under certain conditions. The performance goals, including revenue growth and income from operations targets, provide a range of vesting possibilities from 0% to 100% and will be measured at the end of the performance period. If the performance conditions are met for the performance period, the shares will vest and all restrictions on the transfer of the restricted shares will lapse (or in the case of RSUs, an equivalent number of shares of the Company’s common stock will be issued to the recipient). The Company recognizes compensation cost, net of estimated forfeitures, based on the fair value (which approximates the current market price) of the restricted shares (and RSUs) on the date of grant ratably over the requisite service period based on the probability of achieving the performance goals.

Changes in the probability of achieving the performance goals from period to period will result in corresponding changes in compensation expense. The employment-based restricted shares currently outstanding vest one-third on each of the first three anniversaries of the date of grant, provided the participant is employed by the Company on such date. In the event of a change in control (as defined in the 2011 Plan) prior to the date the restricted shares vest, all of the restricted shares will vest and the restrictions on transfer will lapse with respect to such vested shares on the date of the change in control, provided that participant is employed by the Company on the date of the change in control.

If the participant’s employment with the Company is terminated for any reason, either by the Company or participant, prior to the date on which the restricted shares have vested and the restrictions have lapsed with respect to such vested shares, any restricted shares remaining subject to the restrictions (together with any dividends paid thereon) will be forfeited, unless there has been a change in control prior to such date.

The following table summarizes nonvested restricted shares/RSU activity as of December 31, 2016 and for the year then ended:

Nonvested Restricted Shares and RSUs	Shares (000s)	Weighted Average Grant- Date Fair Value
Nonvested at January 1, 2016	1,246	\$ 20.03
Granted	451	\$ 30.32
Vested	(421)	\$ 16.10
Forfeited or expired	(140)	\$ 20.87
Nonvested at December 31, 2016	1,136	\$ 25.47

The following table summarizes information regarding restricted shares/RSU granted and vested (in thousands, except per restricted share/RSU amounts):

	Years Ended December 31,		
	2016	2015	2014
Number of restricted shares/RSU granted	451	441	500
Weighted average grant-date fair value per restricted share/RSU	\$ 30.32	\$ 25.06	\$ 19.77
Fair value of restricted shares/RSU vested	\$ 6,785	\$ 2,019	\$ 895

As of December 31, 2016, based on the probability of achieving the performance goals, there was \$17.5 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested restricted shares/RSU granted under the 2011 Plan. This cost is expected to be recognized over a weighted average period of 1.7 years.

Non-Employee Director Fee Plan — The Company’s 2004 Non-Employee Director Fee Plan (the “2004 Fee Plan”), as amended on May 17, 2012, provided that all new non-employee directors joining the Board would receive an initial grant of shares of common stock on the date the new director is elected or appointed, the number of which will be determined by dividing \$60,000 by the closing price of the Company’s common stock on the trading day immediately preceding the date a new director is elected or appointed, rounded to the nearest whole number of shares. The initial grant of shares vested in twelve equal quarterly installments, one-twelfth on the date of grant and an additional one-twelfth on each successive third monthly anniversary of the date of grant. The award lapses with respect to all unvested shares in the event the non-employee director ceases to be a director of the Company, and any unvested shares are forfeited.

The 2004 Fee Plan also provided that each non-employee director would receive, on the day after the annual shareholders meeting, an annual retainer for service as a non-employee director (the “Annual Retainer”). Prior to May 17, 2012, the Annual Retainer was \$95,000, of which \$50,000 was payable in cash, and the remainder was paid in stock. The annual grant of cash vested in four equal quarterly installments, one-fourth on the day following the annual meeting of shareholders, and an additional one-fourth on each successive third monthly anniversary of the date of grant. The annual grant of shares paid to non-employee directors prior to May 17, 2012 vests in eight equal quarterly installments, one-eighth on the day following the annual meeting of shareholders, and an additional one-eighth on each successive third monthly anniversary of the date of grant. On May 17, 2012, upon the recommendation of the Compensation Committee, the Board adopted the Fifth Amended and Restated Non-Employee Director Fee Plan (the “Amendment”), which increased the common stock component of the Annual Retainer by \$30,000, resulting in a total Annual Retainer of \$125,000, of which \$50,000 was payable in cash and the remainder paid in stock. In addition, the Amendment also changed the vesting period for the annual equity award, from a two-year vesting period, to a one-year vesting period (consisting of four equal quarterly installments, one-fourth on the date of grant and an additional one-fourth on each successive third monthly anniversary of the date of grant). The award lapses with respect to all unpaid cash and unvested shares in the event the non-employee director ceases to be a director of the Company, and any unvested shares and unpaid cash are forfeited.

In addition to the Annual Retainer award, the 2004 Fee Plan also provided for any non-employee Chairman of the Board to receive an additional annual cash award of \$100,000, and each non-employee director serving on a committee of the Board to receive an additional annual cash award. The additional annual cash award for the

Chairperson of the Audit Committee is \$20,000 and Audit Committee members' are entitled to an annual cash award of \$10,000. The annual cash awards for the Chairpersons of the Compensation Committee, Finance Committee and Nominating and Corporate Governance Committee are \$15,000, \$12,500 and \$12,500, respectively, and all other members of such committees are entitled to an annual cash award of \$7,500.

The 2004 Fee Plan expired in May 2014, prior to the 2014 Annual Shareholder Meeting. In March 2014, upon the recommendation of the Compensation Committee, the Board determined that, following the expiration of the 2004 Fee Plan, the compensation of non-employee Directors should continue on the same terms as provided in the Fifth Amended and Restated Non-Employee Director Fee Plan, except the amounts of cash and equity grants shall be determined annually by the Board, and that the stock portion of such compensation would be issued under the 2011 Plan.

At the Board's regularly scheduled meeting on December 10, 2014, upon the recommendation of the Compensation Committee, the Board determined that the amount of the cash and equity compensation payable to non-employee directors beginning on the date of the 2015 annual shareholder meeting would be increased as follows: cash compensation would be increased by \$5,000 per year to a total of \$55,000 and equity compensation would be increased by \$25,000 per year to a total of \$100,000. No change would be made in the additional amounts payable to the Chairman of the Board or the Chairs or members of the various Board committees for their service on such committees, and no changes would be made in the payment terms described above for such cash and equity compensation.

At the Board's regularly scheduled meeting on December 9, 2015, upon the recommendation of the Compensation Committee, the Board determined that the amount of the cash and equity compensation payable to non-employee directors beginning on the date of the 2016 annual shareholders' meeting would remain unchanged.

At the Board's regularly scheduled meeting on December 6, 2016, upon the recommendation of the Compensation Committee, the Board determined that the amount of the cash compensation payable to non-employee directors beginning on the date of the 2017 annual shareholder meeting would be increased by \$15,000 per year to a total of \$70,000.

The Board may pay additional cash compensation to any non-employee director for services on behalf of the Board over and above those typically expected of directors, including but not limited to service on a special committee of the Board.

The following table summarizes nonvested common stock share award activity as of December 31, 2016 and for the year then ended:

Nonvested Common Stock Share Awards	Shares (000s)	Weighted Average Grant- Date Fair Value
Nonvested at January 1, 2016	11	\$ 23.74
Granted	32	\$ 29.04
Vested	(32)	\$ 27.49
Forfeited or expired	(1)	\$ 24.70
Nonvested at December 31, 2016	10	\$ 28.69

The following table summarizes information regarding common stock share awards granted and vested (in thousands, except per share award amounts):

	Years Ended December 31,		
	2016	2015	2014
Number of share awards granted	32	32	36
Weighted average grant-date fair value per share award	\$ 29.04	\$ 24.70	\$ 20.15
Fair value of share awards vested	\$ 850	\$ 790	\$ 630

As of December 31, 2016, there was \$0.2 million of total unrecognized compensation costs, net of estimated forfeitures, related to nonvested common stock share awards granted under the 2004 Fee Plan. This cost is expected to be recognized over a weighted average period of 0.6 years.

Deferred Compensation Plan — The Company’s non-qualified Deferred Compensation Plan (the “Deferred Compensation Plan”), which is not shareholder-approved, was adopted by the Board effective December 17, 1998. It was last amended and restated on December 9, 2015, effective as of January 1, 2016, and was subsequently amended on May 18, 2016, effective as of June 30, 2016, and August 17, 2016, effective as of January 1, 2017. Eligibility is limited to a select group of key management and employees who are expected to receive an annualized base salary (which will not take into account bonuses or commissions) that exceeds the amount taken into account for purposes of determining highly compensated employees under Section 414(q) of the Internal Revenue Code of 1986 based on the current year’s base salary and applicable dollar amounts. The Deferred Compensation Plan provides participants with the ability to defer between 1% and 80% of their compensation (between 1% and 100% prior to June 30, 2016, the effective date of the first amendment) until the participant’s retirement, termination, disability or death, or a change in control of the Company. Using the Company’s common stock, the Company matches 50% of the amounts deferred by participants on a quarterly basis up to a total of \$12,000 per year for the president, chief executive officer and executive vice presidents, \$7,500 per year for senior vice presidents, global vice presidents and vice presidents, and, effective January 1, 2017, \$5,000 per year for all other participants (there was no match for other participants prior to January 1, 2017, the effective date of the second amendment). Matching contributions and the associated earnings vest over a seven-year service period. Vesting will be accelerated in the event of the participant’s death or disability, a change in control or retirement (defined as separate from service after age 65). In the event of a distribution of benefits as a result of a change in control of the Company, the Company will increase the benefit by an amount sufficient to offset the income tax obligations created by the distribution of benefits. Deferred compensation amounts used to pay benefits, which are held in a rabbi trust, include investments in various mutual funds and shares of the Company’s common stock (see Note 11, Investments Held in Rabbi Trust). As of December 31, 2016 and 2015, liabilities of \$9.4 million and \$7.9 million, respectively, of the Deferred Compensation Plan were recorded in “Accrued employee compensation and benefits” in the accompanying Consolidated Balance Sheets.

Additionally, the Company’s common stock match associated with the Deferred Compensation Plan, with a carrying value of approximately \$1.8 million and \$1.6 million at December 31, 2016 and 2015, respectively, is included in “Treasury stock” in the accompanying Consolidated Balance Sheets.

The following table summarizes nonvested common stock activity as of December 31, 2016 and for the year then ended:

Nonvested Common Stock	Shares (000s)	Weighted Average Grant- Date Fair Value
Nonvested at January 1, 2016	3	\$ 19.53
Granted	8	\$ 29.36
Vested	(9)	\$ 27.91
Forfeited or expired	-	\$ 23.49
Nonvested at December 31, 2016	2	\$ 22.77

The following table summarizes information regarding shares of common stock granted and vested (in thousands, except per common stock amounts):

	Years Ended December 31,		
	2016	2015	2014
Number of shares of common stock granted	8	8	10
Weighted average grant-date fair value per common stock	\$ 29.36	\$ 25.06	\$ 20.54
Fair value of common stock vested	\$ 255	\$ 244	\$ 212
Cash used to settle the obligation	\$ 396	\$ 65	\$ 1,493

As of December 31, 2016, there was less than \$0.1 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested common stock granted under the Deferred Compensation Plan. This cost is expected to be recognized over a weighted average period of 2.7 years.

Note 25. Segments and Geographic Information

The Company operates within two regions, the Americas and EMEA. Each region represents a reportable segment comprised of aggregated regional operating segments, which portray similar economic characteristics. The Company aligns its business into two segments to effectively manage the business and support the customer care needs of every client and to respond to the demands of the Company's global customers.

The reportable segments consist of (1) the Americas, which includes the United States, Canada, Latin America, Australia and the Asia Pacific Rim, and provides outsourced customer engagement solutions (with an emphasis on inbound technical support, digital marketing and demand generation, and customer service) and technical staffing and (2) EMEA, which includes Europe, the Middle East and Africa, and provides outsourced customer engagement solutions (with an emphasis on technical support and customer service) and fulfillment services. The sites within Latin America, Australia and the Asia Pacific Rim are included in the Americas segment given the nature of the business and client profile, which is primarily made up of U.S.-based companies that are using the Company's services in these locations to support their customer engagement needs.

Information about the Company's reportable segments was as follows (in thousands):

	<u>Americas</u>	<u>EMEA</u>	<u>Other</u> ⁽¹⁾	<u>Consolidated</u>
Year Ended December 31, 2016:				
Revenues	\$ 1,220,818	\$ 239,089	\$ 130	\$ 1,460,037
Percentage of revenues	83.6%	16.4%	0.0%	100.0%
Depreciation, net	\$ 42,436	\$ 4,532	\$ 2,045	\$ 49,013
Amortization of intangibles	\$ 18,329	\$ 1,048	\$ -	\$ 19,377
Income (loss) from operations	\$ 140,131	\$ 18,380	\$ (66,263)	\$ 92,248
Other (expense), net			(3,364)	(3,364)
Income taxes			(26,494)	(26,494)
Net income				<u>\$ 62,390</u>
Total assets as of December 31, 2016	<u>\$ 1,777,546</u>	<u>\$ 1,493,764</u>	<u>\$ (2,034,907)</u>	<u>\$ 1,236,403</u>
Year Ended December 31, 2015:				
Revenues	\$ 1,045,415	\$ 240,826	\$ 99	\$ 1,286,340
Percentage of revenues	81.3%	18.7%	0.0%	100.0%
Depreciation, net	\$ 37,842	\$ 4,559	\$ 1,351	\$ 43,752
Amortization of intangibles	\$ 13,648	\$ 522	\$ -	\$ 14,170
Income (loss) from operations	\$ 135,443	\$ 15,336	\$ (56,515)	\$ 94,264
Other (expense), net			(4,281)	(4,281)
Income taxes			(21,386)	(21,386)
Net income				<u>\$ 68,597</u>
Total assets as of December 31, 2015	<u>\$ 1,058,467</u>	<u>\$ 1,419,578</u>	<u>\$ (1,530,273)</u>	<u>\$ 947,772</u>
Year Ended December 31, 2014:				
Revenues	\$ 1,070,824	\$ 256,699	\$ -	\$ 1,327,523
Percentage of revenues	80.7%	19.3%	0.0%	100.0%
Depreciation, net	\$ 40,557	\$ 4,806	\$ -	\$ 45,363
Amortization of intangibles	\$ 14,396	\$ -	\$ -	\$ 14,396
Income (loss) from operations	\$ 113,549	\$ 16,208	\$ (50,202)	\$ 79,555
Other (expense), net			(2,396)	(2,396)
Income taxes			(19,368)	(19,368)
Net income				<u>\$ 57,791</u>
Total assets as of December 31, 2014	<u>\$ 1,080,010</u>	<u>\$ 1,373,590</u>	<u>\$ (1,509,100)</u>	<u>\$ 944,500</u>

⁽¹⁾ Other items (including corporate and other costs, impairment costs, other income and expense, and income taxes) are shown for purposes of reconciling to the Company's consolidated totals as shown in the tables above for the years ended December 31, 2016, 2015 and 2014. Inter-segment revenues are not material to the Americas and EMEA segment results. The Company evaluates the performance of its geographic segments based on revenues and income (loss) from operations, and does not include segment assets or other income and expense items for management reporting purposes.

Total revenues by segment from AT&T Corporation (“AT&T”), a major provider of communication services for which the Company provides various customer support services over several distinct lines of AT&T businesses, were as follows (in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas.....	\$ 239,033	19.6%	\$ 217,449	20.8%	\$ 212,607	19.9%
EMEA.....	-	0.0%	3,003	1.2%	3,519	1.4%
	<u>\$ 239,033</u>	<u>16.4%</u>	<u>\$ 220,452</u>	<u>17.1%</u>	<u>\$ 216,126</u>	<u>16.3%</u>

The Company has multiple distinct contracts with AT&T spread across multiple lines of businesses, which expire at varying dates between 2017 and 2018. The Company has historically renewed most of these contracts. However, there is no assurance that these contracts will be renewed, or if renewed, will be on terms as favorable as the existing contracts. Each line of business is governed by separate business terms, conditions and metrics. Each line of business also has a separate decision maker such that a loss of one line of business would not necessarily impact the Company’s relationship with the client and decision makers on other lines of business. The loss of (or the failure to retain a significant amount of business with) any of the Company’s key clients, including AT&T, could have a material adverse effect on its performance. Many of the Company’s contracts contain penalty provisions for failure to meet minimum service levels and are cancelable by the client at any time or on short notice. Also, clients may unilaterally reduce their use of the Company’s services under the contracts without penalty.

Total revenues by segment from the Company’s next largest client, which was in the financial services vertical in each of the years, were as follows (in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas.....	\$ 90,508	7.4%	\$ 62,980	6.0%	\$ 70,255	6.6%
EMEA.....	-	0.0%	-	0.0%	-	0.0%
	<u>\$ 90,508</u>	<u>6.2%</u>	<u>\$ 62,980</u>	<u>4.9%</u>	<u>\$ 70,255</u>	<u>5.3%</u>

Other than AT&T, total revenues by segment of the Company’s clients that each individually represents 10% or greater of that segment’s revenues in each of the periods were as follows (in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas.....	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
EMEA.....	96,115	40.2%	68,720	28.5%	79,811	31.1%
	<u>\$ 96,115</u>	<u>6.6%</u>	<u>\$ 68,720</u>	<u>5.3%</u>	<u>\$ 79,811</u>	<u>6.0%</u>

The Company’s top ten clients accounted for approximately 49.2%, 48.5% and 46.8% of its consolidated revenues during the years ended December 31, 2016, 2015 and 2014, respectively.

Information about the Company's revenues by geographic location was as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Revenues: ⁽¹⁾			
United States	\$ 578,753	\$ 422,584	\$ 425,746
The Philippines	235,333	216,170	205,332
Costa Rica	124,823	114,483	97,295
Canada	115,226	133,549	195,739
El Salvador	69,937	63,462	52,609
China	34,851	36,270	32,167
Australia	24,267	23,960	33,126
Mexico	18,167	18,338	20,439
Colombia	8,901	7,381	3,073
Brazil	6,474	5,442	3,005
India	4,086	3,776	2,293
Total Americas	<u>1,220,818</u>	<u>1,045,415</u>	<u>1,070,824</u>
Germany	78,982	82,120	88,887
Sweden	59,313	56,600	68,057
United Kingdom	38,167	50,209	42,328
Romania	21,387	15,474	18,288
Hungary	10,762	9,164	8,723
Norway	8,815	8,382	10,265
Finland	6,827	4,643	4,295
Netherlands	6,080	3,783	3,126
Egypt	4,766	3,552	4,633
Denmark	3,990	3,898	4,578
Slovakia	-	3,001	3,519
Total EMEA	<u>239,089</u>	<u>240,826</u>	<u>256,699</u>
Total Other	<u>130</u>	<u>99</u>	<u>-</u>
	<u>\$ 1,460,037</u>	<u>\$ 1,286,340</u>	<u>\$ 1,327,523</u>

⁽¹⁾ Revenues are attributed to countries based on location of customer, except for revenues for Costa Rica, The Philippines, China and India which are primarily comprised of customers located in the U.S., but serviced by centers in those respective geographic locations.

Information about the Company's long-lived assets by geographic location was as follows (in thousands):

	December 31,	
	2016	2015
Long-Lived Assets: ⁽¹⁾		
United States	\$ 230,001	\$ 93,941
The Philippines	14,149	10,844
Costa Rica	10,848	7,382
Canada	7,810	10,278
El Salvador	3,860	3,329
China	2,949	3,523
Australia	1,625	2,396
Mexico	1,114	1,307
Colombia	2,132	1,299
Brazil	1,316	1,047
India	928	301
Total Americas	<u>276,732</u>	<u>135,647</u>
Germany	1,934	1,973
Sweden	1,165	1,681
United Kingdom	2,570	3,652
Romania	2,061	678
Hungary	527	536
Norway	458	278
Finland	481	226
Netherlands	5,746	7,243
Egypt	109	105
Denmark	42	81
Slovakia	-	-
Total EMEA	<u>15,093</u>	<u>16,453</u>
Total Other	<u>17,444</u>	<u>10,758</u>
	<u>\$ 309,269</u>	<u>\$ 162,858</u>

⁽¹⁾ Long-lived assets include property and equipment, net, and intangibles, net.

Goodwill by segment was as follows (in thousands):

	December 31,	
	2016	2015
Americas	\$ 255,842	\$ 186,049
EMEA	9,562	9,684
	<u>\$ 265,404</u>	<u>\$ 195,733</u>

Revenues for the Company's products and services were as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Customer engagement services	\$ 1,448,621	\$ 1,261,465	\$ 1,303,607
Fulfillment services	10,422	21,434	18,392
Enterprise support services	994	3,441	5,524
	<u>\$ 1,460,037</u>	<u>\$ 1,286,340</u>	<u>\$ 1,327,523</u>

Note 26. Other Income (Expense)

Other income (expense) consists of the following (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Foreign currency transaction gains (losses)	\$ 3,348	\$ (2,924)	\$ (1,740)
Gains (losses) on foreign currency derivative instruments not designated as hedges	(2,270)	1,374	(44)
Gains (losses) on liquidation of foreign subsidiaries	-	(647)	-
Other miscellaneous income (expense)	521	(287)	441
	<u>\$ 1,599</u>	<u>\$ (2,484)</u>	<u>\$ (1,343)</u>

Note 27. Related Party Transactions

In January 2008, the Company entered into a lease for a customer engagement center located in Kingstree, South Carolina. The landlord, Kingstree Office One, LLC, is an entity controlled by John H. Sykes, the founder, former Chairman and Chief Executive Officer of the Company and the father of Charles Sykes, President and Chief Executive Officer of the Company. The lease payments on the 20-year lease were negotiated at or below market rates, and the lease is cancellable at the option of the Company. There are penalties for early cancellation which decrease over time. The Company paid \$0.4 million to the landlord during each of the years ended December 31, 2016, 2015 and 2014 under the terms of the lease.

Schedule II — Valuation and Qualifying Accounts

Years ended December 31, 2016, 2015 and 2014:

(in thousands)	Balance at Beginning of Period	Charged (Credited) to Costs and Expenses	Additions (Deductions) ⁽¹⁾	Balance at End of Period
Allowance for doubtful accounts:				
Year ended December 31, 2016	\$ 3,574	89	\$ (738)	\$ 2,925
Year ended December 31, 2015	4,661	278	(1,365)	3,574
Year ended December 31, 2014	4,987	(181)	(145)	4,661
Valuation allowance for net deferred tax assets:				
Year ended December 31, 2016	\$ 30,065	\$ 156	\$ -	\$ 30,221
Year ended December 31, 2015	34,146	(4,081)	-	30,065
Year ended December 31, 2014	42,664	(8,518)	-	34,146
Reserves for value added tax receivables:				
Year ended December 31, 2016	\$ 283	\$ (148)	\$ (58)	\$ 77
Year ended December 31, 2015	275	-	8	283
Year ended December 31, 2014	2,530	(638)	(1,617)	275

⁽¹⁾ Net write-offs and recoveries, including the effect of foreign currency translation.

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BOARD OF DIRECTORS

JAMES S. MACLEOD

Chairman of the Board
Chairman and CEO
CoastalSouth Bancshares, Inc.

CARLOS E. EVANS

Director
Board Affiliations:
Goldman Sachs Middle Market BDC

VANESSA C.L. CHANG

Director
Director, EL & EL Investments
Director, Edison International
Director, Transocean Ltd.
Director, American Funds Family and
other funds advised by Capital Group

PAUL L. WHITING

Director
President
Seabreeze Holdings, Inc.
Chief Executive Officer (retired)
Spalding & Evenflo Companies, Inc.

LORRAINE LEIGH LUTTON

Director
Chief Executive Officer
Roper St. Francis Healthcare

LT. GEN. MICHAEL P. DELONG (retired)

Director
President and CEO
Gulf to Gulf Consultants
International LLC
Consultant
The Boeing Company
for The Middle East and Africa

WILLIAM J. MEURER

Director
Private Financial Consultant
Director of Eagle Family of Funds
Director of Walter Investment
Management Corporation
Managing Partner (retired)
for Arthur Andersen's Central
Florida Operations

WILLIAM D. MUIR, JR.

Director
Chief Operating Officer
Jabil Circuit, Inc.

CHARLES E. SYKES

Director
(Principal Executive Officer)
President and Chief Executive Officer
Sykes Enterprises, Incorporated

PRINCIPAL OFFICERS

CHARLES E. SYKES

President and Chief Executive Officer

ANDREW J. BLANCHARD

Executive Vice President
and General Manager

JOHN CHAPMAN

Executive Vice President and
Chief Financial Officer

JAMES D. FARNSWORTH

Executive Vice President
and General Manager

JAMES T. HOLDER

Executive Vice President,
General Counsel and Corporate Secretary

JENNA R. NELSON

Executive Vice President,
Human Resources

DAVID L. PEARSON

Executive Vice President
and Chief Information Officer

LAWRENCE R. ZINGALE

Executive Vice President
and General Manager

CORPORATE HEADQUARTERS

400 North Ashley Drive, Suite 2800, Tampa, FL USA 33602 • phone: (813) 274-1000 • fax: (813) 273-0148 • www.sykes.com

INDEPENDENT AUDITORS

Deloitte & Touche LLP • 201 N. Franklin St., Suite 3600, Tampa, FL USA 33602

REGISTRAR AND TRANSFER AGENT

Computershare • P.O. Box 43078, Providence, RI 02940-3078 • (800) 962-4284
SYKES' shares trade on The NasdaqGS Stock Market under the symbol "SYKE"

ANNUAL MEETING

SYKES' annual meeting of shareholders will be held at 8:00 a.m. (EDT) • Wednesday, May 24, 2017
The meeting will be held at: Rivergate Tower, 400 N. Ashley Drive, Suite 320, 3rd Floor, Conference Room A, Tampa, FL 33602

INVESTOR INFORMATION

Quarterly Reports on Form 10-Q and the Form 10-K Annual Report filed with the Securities and Exchange Commission are available on the Company's website at: <http://investor.sykes.com> or upon written request to SYKES' Investor Relations department in Tampa, Florida, or by contacting:
Subhaash Kumar • Global Vice President, Finance and Investor Relations • phone: (813) 274-1000



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