WINDSTREAM HOLDINGS, INC.
Form 8-A12B
September 18, 2015

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

FORM 8-A

FOR REGISTRATION OF CERTAIN CLASSES OF SECURITIES
PURSUANT TO SECTION 12(b) OR 12(g) OF THE
SECURITIES EXCHANGE ACT OF 1934

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

| | |
|---|---|
| Delaware<br>(State of incorporation or organization) | 46-2847717<br>(I.R.S. Employer Identification No.) |
| 4001 Rodney Parham Road<br>Little Rock, Arkansas<br>(Address of principal executive offices) | 72212<br>(Zip Code) |

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

| Title of each class to be so registered: | Name of each exchange on which each class is to be registered: |
|---|---|
| Preferred Stock Purchase Rights | The NASDAQ Stock Market LLC (NASDAQ Global Select Market) |

If this form relates to the registration of a class of securities pursuant to Section 12(b) of the Exchange Act and is effective pursuant to General Instruction A.(c), check the following box. ý

If this form relates to the registration of a class of securities pursuant to Section 12(g) of the Exchange Act and is effective pursuant to General Instruction A.(d), check the following box. o

Securities Act registration statement file number to which this form relates: Not applicable.

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

Item 1. Description of Registrant's Securities to be Registered.

On September 17, 2015, the Board of Directors (the "Board") of Windstream Holdings, Inc. (the "Corporation") adopted a rights plan intended to avoid an "ownership change" within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), and thereby preserve the current ability of the Corporation to utilize certain net operating loss carryovers and other tax benefits of the Corporation and its subsidiaries (the "Tax Benefits"). If the Corporation experiences an "ownership change," as defined in Section 382 of Code, the Corporation's ability to fully utilize the Tax Benefits on an annual basis will be substantially limited, and the timing of the usage of the Tax Benefits and such other benefits could be substantially delayed, which could therefore significantly impair the value of those assets. The rights plan is intended to act as a deterrent to any person or group acquiring "beneficial ownership" of 4.90% or more of the "outstanding shares" (as described below) of common stock, par value $0.0001 per share, of the Corporation ("Common Stock") without the approval of the Board. The description and terms of the Rights (as defined below) applicable to the rights plan are set forth in the 382 Rights Agreement, dated as of September 17, 2015 (the "Rights Agreement"), by and between the Corporation and Computershare Trust Company, N.A., as Rights Agent.

The Rights. As part of the Rights Agreement, the Board authorized and declared a dividend distribution of one right (a "Right") for each outstanding share of Common Stock, to stockholders of record at the close of business on September 28, 2015. Each Right entitles the holder to purchase from the Corporation a unit consisting of one ten thousandth of a share (a "Unit") of Series A Participating Preferred Stock, par value $0.0001 per share, of the Corporation (the "Preferred Stock") at a purchase price of $32.00 per Unit, subject to adjustment (the "Purchase Price"). Until a Right is exercised, the holder thereof, as such, will have no separate rights as a stockholder of the Corporation, including the right to vote or to receive dividends in respect of Rights.

In connection with the adoption of the Rights Agreement, the Board approved a Certificate of Designations of Series A Participating Preferred Stock, par value $0.0001 per share of Windstream Holdings, Inc. (the "Certificate of Designation"). The Certificate of Designation was filed with the Secretary of the State of Delaware on September 17, 2015. The Certificate of Designation is attached as an exhibit to this Form 8-A and is incorporated herein by reference.

Acquiring Person; Exempt Persons; Exempt Transactions. Under the Rights Agreement, an "Acquiring Person" is any person or group of affiliated or associated persons (a "Person") who is or becomes the beneficial owner of 4.90% or more of the "outstanding shares" of Common Stock other than as a result of repurchases of stock by the Corporation, dividends or distributions by the Corporation or certain inadvertent actions by stockholders. For purposes of calculating percentage ownership under the Rights Agreement, "outstanding shares" of Common Stock include all of the shares of common stock actually issued and outstanding. Beneficial ownership is determined as provided in the Rights Agreement and generally includes, without limitation, any ownership of securities a Person would be deemed to actually or constructively own for purposes of Section 382 of the Code or the Treasury Regulations promulgated thereunder. In addition, securities "beneficially owned" by any Person will include all of the shares of Common Stock that such Person would have had the right or obligation to acquire. The Rights Agreement provides that the following shall not be deemed an Acquiring Person for purposes of the Rights Agreement: (i) the Corporation or any subsidiary of the Corporation and any employee benefit plan of the Corporation, or of any subsidiary of the Corporation, or any Person or entity organized, appointed or established by the Corporation for or pursuant to the terms of any such plan; or (ii) any person (each such person, an "Existing Holder") that, as of September 17, 2015, is (A) the beneficial owner of between 4.90% and 5.01% of the shares of Common Stock outstanding unless and until such Existing Holder acquires beneficial ownership of one or more additional shares of Common Stock (other than pursuant to a dividend or distribution paid or made by the Corporation on the outstanding shares of Common Stock or pursuant to a split or subdivision of the outstanding shares of Common Stock) or (B) the beneficial owner of 5.01% or more of Common Stock outstanding unless and until such Existing Holder acquires beneficial ownership of 1% or more of additional shares of Common Stock (other than pursuant to a dividend or distribution paid or made by the Corporation on the outstanding shares of Common Stock or pursuant to a split or subdivision of the outstanding shares of Common Stock).

The Rights Agreement provides that a Person shall not become an Acquiring Person for purpose of the Rights Agreement in a transaction that the Board determines is exempt from the Rights Agreement, which determination shall be made in the sole and absolute discretion of the Board, upon request by any Person prior to the date upon which such Person would otherwise become an Acquiring Person, including, without limitation, if the Board determines that (i) neither the beneficial ownership of shares of Common Stock by such Person, directly or indirectly, as a result of such transaction nor any other aspect of such transaction would jeopardize or endanger the availability to the Corporation of the Tax Benefits or (ii) such transaction is otherwise in the best interests of the Corporation.

Exercise of Rights; Distribution of Rights. Initially, the Rights will not be exercisable and will be attached to all Common Stock representing shares then outstanding, and no separate Rights certificates will be distributed. Subject to certain exceptions specified in the Rights Agreement, the Rights will separate from the Common Stock and become exercisable and a distribution date (a "Distribution Date") will occur upon the earlier of (i) 15 business days (or such later date as the Board shall determine) following a public announcement that a person or group of affiliated or associated persons has become an Acquiring Person or (ii) 15 business days (or such later date as the Board shall determine) following the commencement of a tender offer, exchange offer or other transaction that, upon consummation thereof, would result in a person or group of affiliated or associated persons becoming an Acquiring Person.

Until the Distribution Date, Common Stock held in book-entry form or, in the case of certificated shares, Common Stock certificates will evidence the Rights and will contain a notation to that effect. Any transfer of shares of Common Stock prior to the Distribution Date will constitute a transfer of the associated Rights. After the Distribution Date, the Rights may be transferred on the books and records of the Rights Agent as provided in the Rights Agreement.

If on or after the Distribution Date, a person or group of persons is or becomes an Acquiring Person, each holder of a Right, other than certain Rights including those beneficially owned by the Acquiring Person (which will have become void), will have the right to receive upon exercise Common Stock (or, in certain circumstances, cash, property or other securities of the Corporation) having a value equal to two times the Purchase Price.

In the event that, at any time following the first date of public announcement that a person has become an Acquiring Person or that discloses information which reveals the existence of an Acquiring Person or such earlier date as a majority of the Board becomes aware of the existence of an Acquiring Person (any such date, the "Stock Acquisition Date"), (i) the Corporation engages in a merger or other business combination transaction in which the Corporation is not the surviving corporation, (ii) the Corporation engages in a merger or other business combination transaction in which the Corporation is the surviving corporation and the Common Stock of the Corporation is changed or exchanged, or (iii) other than pursuant to a pro rata dividend and/or distribution to all of the then current holders of Common Stock, 50% or more of the Corporation's assets, cash flow or earning power is sold or transferred, each holder of a Right (except Rights which have previously been voided as set forth above) shall thereafter have the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the Purchase Price.

Exchange. At any time following the Stock Acquisition Date, the Board may exchange the Rights (other than Rights owned by such person or group which have become void), in whole or in part, for Common Stock or Preferred Stock at an exchange ratio of one share of Common Stock, or one ten thousandth of a share of Preferred Stock (or of a share of a class or series of the Corporation's preferred stock having equivalent rights, preferences and privileges), per Right (subject to adjustment).

Expiration. The Rights and the Rights Agreement will expire on the earliest of (i) 5:00 P.M. New York City time on September 17, 2018, (ii) the time at which the Rights are redeemed or exchanged pursuant to the Rights Agreement, (iii) the date on which the Board determines that the Rights Agreement is no longer necessary for the preservation of material valuable Tax Benefits or is no longer in the best interest of the Corporation and its stockholders, (iv) September 17, 2016 if the affirmative vote of the majority of the votes cast at the 2016 annual meeting of the Corporation's shareholders has not been obtained with respect to the ratification of the Rights Agreement and (v) the beginning of a taxable year to which the Board determines that no Tax Benefits may be carried forward.

Redemption. At any time until the earlier of (A) the Distribution Date or (B) the expiration date of the Rights, the Corporation may redeem the Rights in whole, but not in part, at a price of $0.0001 per Right. Immediately upon the action of the Board ordering redemption of the Rights, the Rights will terminate and the only right of the holders of Rights will be to receive the $0.0001 redemption price.

Anti-Dilution Provisions. The Purchase Price payable, and the number of Units of Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Stock, (ii) if holders of the Preferred Stock are granted certain rights or warrants to subscribe for Preferred Stock or convertible securities at less than the current market price of the Preferred Stock, or (iii) upon the distribution to holders of the

Preferred Stock of evidences of indebtedness or assets (excluding regular quarterly cash dividends) or of subscription rights or warrants (other than those referred to above). Generally, no adjustments to the Purchase Price of less than 1% will be made.

Amendments. Any of the provisions of the Rights Agreement may be amended by the Board prior to the Distribution Date, including, without limitation, to change the expiration date to another date, including an earlier date. After the Distribution Date, the provisions of the Rights Agreement may be amended by the Board in order to cure any ambiguity, to make changes which do not adversely affect the interests of holders of Rights, or to shorten or lengthen any time period under the Rights Agreement.

The Rights Agreement has been attached as an exhibit to this Form 8-A. This summary description of the Rights Agreement does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is incorporated herein by reference.

Item 2. Exhibits.

| Exhibit No. | Description of Exhibit |
|---|---|
| 3.1 | Certificate of Designations of Series A Participating Preferred Stock of Windstream Holdings, Inc.(incorporated by reference to Exhibit 3.1 to the Corporation’s Current Report on Form 8-K filed on September 18, 2015). |
| 4.1 | Rights Agreement, dated as of September 17, 2015, by and between Windstream Holdings, Inc. and Computershare Trust Company, N.A., as Rights Agent(incorporated by reference to Exhibit 4.1 to the Corporation’s Current Report on Form 8-K filed on September 18, 2015). |
| 99.1 | Press Release, dated September 18, 2015 (incorporated by reference to Exhibit 99.1 to the Corporation’s Current Report on Form 8-K filed on September 18, 2015). |

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereto duly authorized.

WINDSTREAM HOLDINGS, INC.

| | |
|---|---|
| By: | /s/ John P. Fletcher |
| Name: | John P. Fletcher |
| Title: | Executive Vice President and General Counsel |

September 18, 2015

EXHIBIT INDEX

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>

June 30, 2015

| | | | |
|---|---|---|---|
| **279** | **$24.14** | **$24.79** | **$6,833** |

June 30, 2014

| | | |
|---|---|---|
| $ | $ | $ |

**Six Months Ended:**

June 30, 2015

| | | | |
|---|---|---|---|
| **500** | **$22.81** | **$24.79** | **$11,969** |

June 30, 2014

| | | | |
|---|---|---|---|
| 130 | $19.92 | $19.98 | $2,605 |

25

Table of Contents

## Note 14. Commitments and Loss Contingency

### Commitments

During the six months ended June 30, 2015, the Company entered into several leases in the ordinary course of business. The following is a schedule of future minimum rental payments required under operating leases that have noncancelable lease terms as of June 30, 2015 (in thousands):

| | Amount |
|---|---|
| 2015 (remaining six months) | $ 2,153 |
| 2016 | 9,527 |
| 2017 | 9,320 |
| 2018 | 9,271 |
| 2019 | 9,530 |
| 2020 | 8,677 |
| 2021 and thereafter | 18,932 |
| Total minimum payments required | $ 67,410 |

During the six months ended June 30, 2015, the Company entered into agreements with third-party vendors in the ordinary course of business whereby the Company committed to purchase goods and services used in its normal operations. These agreements, which are not cancelable, generally range from one to five year periods and 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 the future minimum purchases remaining under the agreements as of June 30, 2015 (in thousands):

| | Amount |
|---|---|
| 2015 (remaining six months) | $ 2,681 |
| 2016 | 787 |
| 2017 | 633 |
| 2018 | |
| 2019 | |
| 2020 | |
| 2021 and thereafter | |
| Total minimum payments required | $ 4,101 |

Except as outlined above, there have not been any material changes to the outstanding contractual obligations from the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2014.

### 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.

Table of Contents

### Note 15. Defined Benefit Pension Plan and Postretirement Benefits

### Defined Benefit Pension Plans

The following table provides information about the net periodic benefit cost for the Company s pension plans (in thousands):

| | Three Months Ended June 30, 2015 | Three Months Ended June 30, 2014 | Six Months Ended June 30, 2015 | Six Months Ended June 30, 2014 |
|---|---|---|---|---|
| Service cost | **$ 113** | $ 101 | **$ 228** | $ 201 |
| Interest cost | **35** | 31 | **71** | 61 |
| Recognized actuarial (gains) | **(10)** | (13) | **(21)** | (25) |
| Net periodic benefit cost | **$ 138** | $ 119 | **$ 278** | $ 237 |

### 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 Condensed Consolidated Statements of Operations were as follows (in thousands):

| | Three Months Ended June 30, 2015 | Three Months Ended June 30, 2014 | Six Months Ended June 30, 2015 | Six Months Ended June 30, 2014 |
|---|---|---|---|---|
| 401(k) plan contributions | **$ 188** | $ 221 | **$ 471** | $ 480 |

### 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 Condensed Consolidated Balance Sheets were as follows (in thousands):

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| Postretirement benefit obligation | **$ 25** | $ 46 |
| Unrealized gains (losses) in AOCI [(1)] | **$ 386** | $ 342 |

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

Table of Contents

## Note 16. 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):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Stock-based compensation (expense) [1] | **$ (1,288)** | $ (937) | **$ (3,284)** | $ (1,691) |
| Income tax benefit [2] | **486** | 328 | **1,215** | 592 |
| Excess tax benefit (deficiency) from stock-based compensation [3] | | (84) | **169** | (30) |

(1) Included in General and administrative costs in the accompanying Condensed Consolidated Statements of Operations.
(2) Included in Income taxes in the accompanying Condensed Consolidated Statements of Operations.
(3) Included in Additional paid-in capital in the accompanying Condensed Consolidated Statements of Changes in Shareholders Equity.

There were no capitalized stock-based compensation costs as of June 30, 2015 and December 31, 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. The fair value of each SAR is estimated on the date of grant using the Black-Scholes valuation model that uses various assumptions.

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

| | Six Months Ended June 30, 2015 | 2014 |
|---|---|---|
| Expected volatility | 34.1% | 38.9% |
| Weighted-average volatility | 34.1% | 38.9% |
| Expected dividend rate | 0.0% | 0.0% |
| Expected term (in years) | 5.0 | 5.0 |
| Risk-free rate | 1.6% | 1.7% |

28

Table of Contents

The following table summarizes SARs activity as of June 30, 2015 and for the six months 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, 2015 | 959 | $ | | |
| Granted | 217 | $ | | |
| Exercised | (81) | $ | | |
| Forfeited or expired | | $ | | |
| **Outstanding at June 30, 2015** | **1,095** | **$** | **7.1** | **$ 5,158** |
| **Vested or expected to vest at June 30, 2015** | **1,095** | **$** | **7.1** | **$ 5,158** |
| **Exercisable at June 30, 2015** | **670** | **$** | **5.8** | **$ 3,895** |

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

| | Six Months Ended June 30, 2015 | 2014 |
|---|---|---|
| Number of SARs granted | **217** | 246 |
| Weighted average grant-date fair value per SAR | **$ 8.17** | $ 7.20 |
| Intrinsic value of SARs exercised | **$ 734** | $ 333 |
| Fair value of SARs vested | **$ 1,302** | $ 1,553 |

The following table summarizes nonvested SARs activity as of June 30, 2015 and for the six months then ended:

| Nonvested Stock Appreciation Rights | Shares (000s) | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Nonvested at January 1, 2015 | 411 | $ 6.61 |
| Granted | 217 | $ 8.17 |
| Vested | (203) | $ 6.41 |
| Forfeited or expired | | $ |
| **Nonvested at June 30, 2015** | **425** | **$ 7.50** |

As of June 30, 2015, there was $2.8 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 1.5 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.

Table of Contents

The following table summarizes nonvested restricted shares/RSUs activity as of June 30, 2015 and for the six months then ended:

| Nonvested Restricted Shares and RSUs | Shares (000s) | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Nonvested at January 1, 2015 | 1,194 | $ 16.80 |
| Granted | 441 | $ 25.06 |
| Vested | (125) | $ 16.10 |
| Forfeited or expired | (264) | $ 15.71 |
| **Nonvested at June 30, 2015** | **1,246** | **$ 20.03** |

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

| | Six Months Ended June 30, 2015 | 2014 |
|---|---|---|
| Number of restricted shares/RSUs granted | **441** | 500 |
| Weighted average grant-date fair value per restricted share/RSU | **$ 25.06** | $ 19.77 |
| Fair value of restricted shares/RSUs vested | **$ 2,019** | $ 895 |

As of June 30, 2015, based on the probability of achieving the performance goals, there was $18.8 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested restricted shares/RSUs granted under the 2011 Plan. This cost is expected to be recognized over a weighted average period of 2.0 years.

***Non-Employee Director Fee Plan*** The Company s 2004 Non-Employee Director Fee Plan (the 2004 Fee Plan ), as last 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. Prior to May 20, 2011, the annual cash awards for the Chairpersons of the Compensation Committee, Finance Committee and Nominating and Corporate Governance Committee were $12,500 and the

30

Table of Contents

members of such committees were entitled to an annual cash award of $7,500. On May 20, 2011, the Board increased the additional annual cash award to the Chairperson of the Compensation Committee to $15,000. All other additional cash awards remained unchanged.

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, and that the stock portion of such compensation would be issued under the 2011 Plan.

At the Board s regularly scheduled meeting on December 9, 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.

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 June 30, 2015 and for the six months then ended:

| Nonvested Common Stock Share Awards | Shares (000s) | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Nonvested at January 1, 2015 | 12 | $ 20.24 |
| Granted | 32 | $ 24.70 |
| Vested | (16) | $ 22.36 |
| Forfeited or expired | | $ |
| **Nonvested at June 30, 2015** | **28** | **$ 24.19** |

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

| | Six Months Ended June 30, 2015 | 2014 |
|---|---|---|
| Number of share awards granted | **32** | 36 |
| Weighted average grant-date fair value per share award | **$ 24.70** | $ 20.15 |

| | | | | |
|---|---|---|---|---|
| Fair value of share awards vested | **$** | **370** | $ | 310 |

As of June 30, 2015, there was $0.6 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested common stock share awards granted under the Fee Plan. This cost is expected to be recognized over a weighted average period of 0.5 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 August 20, 2014, effective as of January 1, 2014. It provides certain eligible employees the ability to defer any portion of their compensation 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 certain senior management participants on a quarterly basis up to a total of $12,000 per year for the president, chief executive officer and executive vice presidents and $7,500 per year for senior vice presidents, global vice presidents and vice presidents (participants below the level of vice president are not eligible to receive matching contributions from the Company). Matching contributions and the associated earnings vest over a seven year service period. Deferred compensation amounts used to pay benefits, which are held

Table of Contents

in a rabbi trust, include investments in various mutual funds and shares of the Company s common stock (see Note 6, Investments Held in Rabbi Trust). As of June 30, 2015 and December 31, 2014, liabilities of $7.7 million and $7.0 million, respectively, of the Deferred Compensation Plan were recorded in Accrued employee compensation and benefits in the accompanying Condensed Consolidated Balance Sheets.

Additionally, the Company s common stock match associated with the Deferred Compensation Plan, with a carrying value of approximately $1.6 million and $1.5 million at June 30, 2015 and December 31, 2014, respectively, is included in Treasury stock in the accompanying Condensed Consolidated Balance Sheets.

The following table summarizes nonvested common stock activity as of June 30, 2015 and for the six months then ended:

| **Nonvested Common Stock** | **Shares (000s)** | **Weighted Average Grant-Date Fair Value** |
|---|---|---|
| Nonvested at January 1, 2015 | 5 | $ 17.88 |
| Granted | 6 | $ 24.69 |
| Vested | (7) | $ 23.56 |
| Forfeited or expired | | $ |
| **Nonvested at June 30, 2015** | **4** | **$ 18.81** |

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

| | **Six Months Ended June 30,** | |
|---|---|---|
| | **2015** | **2014** |
| Number of shares of common stock granted | **6** | 8 |
| Weighted average grant-date fair value per common stock | **$ 24.69** | $ 20.43 |
| Fair value of common stock vested | **$ 169** | $ 146 |
| Cash used to settle the obligation | **$ 65** | $ 21 |

As of June 30, 2015, 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 2.1 years.

Table of Contents

**Note 17. 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 contact management solutions (with an emphasis on technical support and customer service) and technical staffing and (2) EMEA, which includes Europe, the Middle East and Africa, and provides outsourced customer contact management 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 contact management needs.

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

| | Americas | EMEA | Other [1] | Consolidated |
|---|---|---|---|---|
| **Three Months Ended June 30, 2015:** | | | | |
| Revenues | **$ 249,682** | **$ 57,752** | **$ 19** | **$ 307,453** |
| Percentage of revenues | **81.2%** | **18.8%** | **0.0%** | **100.0%** |
| Depreciation, net | **$ 9,605** | **$ 1,084** | **$ 318** | **$ 11,007** |
| Amortization of intangibles | **$ 3,435** | **$** | **$** | **$ 3,435** |
| Income (loss) from operations | **$ 28,669** | **$ 2,969** | **$ (13,421)** | **$ 18,217** |
| Other (expense), net | | | **(626)** | **(626)** |
| Income taxes | | | **(4,679)** | **(4,679)** |
| Net income | | | | **$ 12,912** |
| **Total assets as of June 30, 2015** | **$ 1,067,801** | **$ 1,394,836** | **$ (1,534,068)** | **$ 928,569** |
| **Three Months Ended June 30, 2014:** | | | | |
| Revenues | $ 256,663 | $ 63,835 | $ | $ 320,498 |
| Percentage of revenues | 80.1% | 19.9% | 0.0% | 100.0% |
| Depreciation, net | $ 10,107 | $ 1,215 | $ | $ 11,322 |
| Amortization of intangibles | $ 3,659 | $ | $ | $ 3,659 |
| Income (loss) from operations | $ 21,135 | $ 1,561 | $ (12,269) | $ 10,427 |
| Other (expense), net | | | (714) | (714) |
| Income taxes | | | (1,376) | (1,376) |
| Net income | | | | $ 8,337 |

| | | | | |
|---|---|---|---|---|
| Total assets as of June 30, 2014 | $ 1,093,003 | $ 1,444,643 | $ (1,591,697) | $ 945,949 |

33

Table of Contents

| | Americas | EMEA | Other [1] | Consolidated |
|---|---|---|---|---|
| **Six Months Ended June 30, 2015:** | | | | |
| Revenues | **$ 513,855** | **$ 117,247** | **$ 36** | **$ 631,138** |
| Percentage of revenues | **81.4%** | **18.6%** | **0.0%** | **100.0%** |
| Depreciation, net | **$ 19,185** | **$ 2,227** | **$ 654** | **$ 22,066** |
| Amortization of intangibles | **$ 6,866** | **$** | **$** | **$ 6,866** |
| Income (loss) from operations | **$ 61,210** | **$ 6,757** | **$ (27,209)** | **$ 40,758** |
| Other (expense), net | | | **(1,728)** | **(1,728)** |
| Income taxes | | | **(10,479)** | **(10,479)** |
| Net income | | | | **$ 28,551** |
| **Six Months Ended June 30, 2014:** | | | | |
| Revenues | $ 517,909 | $ 127,018 | $ | $ 644,927 |
| Percentage of revenues | 80.3% | 19.7% | 0.0% | 100.0% |
| Depreciation, net | $ 20,248 | $ 2,372 | $ | $ 22,620 |
| Amortization of intangibles | $ 7,310 | $ | $ | $ 7,310 |
| Income (loss) from operations | $ 43,782 | $ 4,445 | $ (23,322) | $ 24,905 |
| Other (expense), net | | | (319) | (319) |
| Income taxes | | | (5,936) | (5,936) |
| Net income | | | | $ 18,650 |

(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 three and six months ended June 30, 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.

**Note 18. Other Income (Expense)**

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Foreign currency transaction gains (losses) | **$ (90)** | $ 759 | **$ (1,025)** | $ 631 |
| Gains (losses) on foreign currency derivative instruments not designated as hedges | **67** | (1,331) | **(97)** | (608) |
| Other miscellaneous income (expense) | **(144)** | 173 | **126** | 241 |
| | **$ (167)** | $ (399) | **$ (996)** | $ 264 |

**Note 19. Related Party Transactions**

In January 2008, the Company entered into a lease for a customer contact management 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 significant penalties for early cancellation which decrease over time. The Company paid $0.1 million to the landlord during both the three months ended June 30, 2015 and 2014 and $0.2 million during both the six months ended June 30, 2015 and 2014 under the terms of the lease.

34

Table of Contents

**Note 20. Subsequent Event**

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 Qelp Do Brasil Software E Conteudo Digital LTDA (together, known as Qelp .) The strategic acquisition of Qelp is to further broaden and strengthen the Company s service portfolio around digital customer support and extend its reach into adjacent, but complementary, markets.

The consideration consists of an initial purchase price and a contingent purchase price. The initial purchase price of $9.9 million, paid at the closing of the transaction on July 2, 2015, is subject to certain post-closing adjustments relating to Qelp s working capital. Approximately $0.9 million of the initial purchase price has been placed in an escrow account as security for the indemnification obligations of the Sellers under the Purchase Agreement. The contingent purchase price, which in total will not exceed EUR 10.0 million (U.S. Dollar equivalent of $11.1 million as of July 2, 2015), is based on achieving targets tied to revenues and EBITDA for the years ended December 31, 2016, 2017 and 2018, as defined by the Purchase Agreement. The initial purchase price was funded through cash on hand.

The Purchase Agreement contains customary representations and warranties, indemnification obligations and covenants.

The Purchase Agreement was approved by the Board of Directors of the Company, the Board of Directors of Qelp and the requisite shareholders of Qelp.

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of

Sykes Enterprises, Incorporated

400 North Ashley Drive

Tampa, Florida

We have reviewed the accompanying condensed consolidated balance sheet of Sykes Enterprises, Incorporated and subsidiaries (the Company ) as of June 30, 2015, and the related condensed consolidated statements of operations and comprehensive income for the three- and six-month periods ended June 30, 2015 and 2014, of changes in shareholders equity for the six-month period ended June 30, 2015, and of cash flows for the three- and six-month periods ended June 30, 2015 and 2014. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Sykes Enterprises, Incorporated and subsidiaries as of December 31, 2014, and the related consolidated statements of operations, comprehensive income, shareholders equity, and cash flows for the year then ended (not presented herein); and in our report dated February 19, 2015, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2014 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP
Certified Public Accountants
Tampa, Florida

August 4, 2015

Table of Contents

## Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

*This discussion should be read in conjunction with the condensed consolidated financial statements and notes included elsewhere in this report and the consolidated financial statements and notes in the Sykes Enterprises, Incorporated ( SYKES, our, we or us ) Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission ( SEC ).*

*Our discussion and analysis may contain 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 SYKES, 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 believe, estimate, project, expect, intend, may, anticipate, plan, seek, 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 report. 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 such 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: (i) the impact of economic recessions in the U.S. and other parts of the world, (ii) fluctuations in global business conditions and the global economy, (iii) currency fluctuations, (iv) the timing of significant orders for our products and services, (v) variations in the terms and the elements of services offered under our standardized contract including those for future bundled service offerings, (vi) changes in applicable accounting principles or interpretations of such principles, (vii) difficulties or delays in implementing our bundled service offerings, (viii) failure to achieve sales, marketing and other objectives, (ix) construction delays of new or expansion of existing customer contact management centers, (x) delays in our ability to develop new products and services and market acceptance of new products and services, (xi) rapid technological change, (xii) loss or addition of significant clients, (xiii) political and country-specific risks inherent in conducting business abroad, (xiv) our ability to attract and retain key management personnel, (xv) our ability to continue the growth of our support service revenues through additional technical and customer contact management centers, (xvi) our ability to further penetrate into vertically integrated markets, (xvii) our ability to expand our global presence through strategic alliances and selective acquisitions, (xviii) our ability to continue to establish a competitive advantage through sophisticated technological capabilities, (xix) the ultimate outcome of any lawsuits, (xx) our ability to recognize deferred revenue through delivery of products or satisfactory performance of services, (xxi) our dependence on trend toward outsourcing, (xxii) risk of interruption of technical and customer contact management center operations due to such factors as fire, earthquakes, inclement weather and other disasters, power failures, telecommunication failures, unauthorized intrusions, computer viruses and other emergencies, (xxiii) the existence of substantial competition, (xxiv) the early termination of contracts by clients, (xxv) the ability to obtain and maintain grants and other incentives (tax or otherwise), (xxvi) the potential of cost savings/synergies associated with acquisitions not being realized, or not being realized within the anticipated time period, (xxvii) risks related to the integration of the acquisitions and the impairment of any related goodwill, and (xxviii) other risk factors which are identified in our most recent Annual Report on Form 10-K, including factors identified under the headings Business, Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations.*

## Executive Summary

We provide comprehensive customer contact management solutions and services to a wide range of clients including Fortune 1000 companies, medium-sized businesses and public institutions around the world, primarily in the communications, financial services, technology/consumer, transportation and leisure and healthcare 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 contact management services (with an emphasis on inbound technical support and customer service), which include customer assistance, healthcare and roadside assistance, technical support and product sales to our clients customers. These services, which represented 97.8% and 98.0% of consolidated revenues during the three months ended June 30, 2015 and 2014, respectively, and 98.2% and 98.1% of consolidated revenues during the six months ended June 30, 2015 and 2014, respectively, are delivered through multiple

37

communication channels encompassing phone, e-mail, social media, text messaging and chat. We also provide various enterprise support services in the United States ( U.S. ) that include services for our client s internal support operations, from technical staffing services to outsourced corporate help desk services. In Europe, we also provide fulfillment services including 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 contact management centers throughout the United States, Canada, Europe, Latin America, Australia, the Asia Pacific Rim and Africa.

**Results of Operations**

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

| | **Three Months Ended June 30,** | | | **Six Months Ended June 30,** | | |
|---|---|---|---|---|---|---|
| (in thousands) | **2015** | **2014** | **2015 $ Change** | **2015** | **2014** | **2015 $ Change** |
| Revenues | **$ 307,453** | $ 320,498 | $ (13,045) | **$ 631,138** | $ 644,927 | $ (13,789) |
| Operating expenses: | | | | | | |
| Direct salaries and related costs | **202,143** | 221,085 | (18,942) | **416,070** | 442,710 | (26,640) |
| General and administrative | **72,651** | 74,005 | (1,354) | **145,378** | 147,382 | (2,004) |
| Depreciation, net | **11,007** | 11,322 | (315) | **22,066** | 22,620 | (554) |
| Amortization of intangibles | **3,435** | 3,659 | (224) | **6,866** | 7,310 | (444) |
| Total operating expenses | **289,236** | 310,071 | (20,835) | **590,380** | 620,022 | (29,642) |
| Income from operations | **18,217** | 10,427 | 7,790 | **40,758** | 24,905 | 15,853 |
| Other income (expense): | | | | | | |
| Interest income | **151** | 237 | (86) | **317** | 468 | (151) |
| Interest (expense) | **(610)** | (552) | (58) | **(1,049)** | (1,051) | 2 |
| Other income (expense) | **(167)** | (399) | 232 | **(996)** | 264 | (1,260) |
| Total other income (expense) | **(626)** | (714) | 88 | **(1,728)** | (319) | (1,409) |
| Income before income taxes | **17,591** | 9,713 | 7,878 | **39,030** | 24,586 | 14,444 |
| Income taxes | **4,679** | 1,376 | 3,303 | **10,479** | 5,936 | 4,543 |
| Net income | **$ 12,912** | $ 8,337 | $ 4,575 | **$ 28,551** | $ 18,650 | $ 9,901 |

Table of Contents

**Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014**

***Revenues***

| | Three Months Ended June 30, 2015 | | 2014 | | |
|---|---|---|---|---|---|
| (in thousands) | **Amount** | **% of Revenues** | **Amount** | **% of Revenues** | **$ Change** |
| Americas | **$ 249,682** | **81.2%** | $ 256,663 | 80.1% | $ (6,981) |
| EMEA | **57,752** | **18.8%** | 63,835 | 19.9% | (6,083) |
| Other | **19** | **0.0%** | | 0.0% | 19 |
| Consolidated | **$ 307,453** | **100.0%** | $ 320,498 | 100.0% | $ (13,045) |

Consolidated revenues decreased $13.0 million, or (4.1)%, for the three months ended June 30, 2015 from the comparable period in 2014.

The decrease in Americas revenues was due to end-of-life client programs of $24.5 million and a negative foreign currency impact of $4.1 million, partially offset by higher volumes from existing clients of $17.2 million and new clients of $4.4 million. Revenues from our offshore operations represented 46.4% of Americas revenues, compared to 38.8% for the comparable period in 2014.

The decrease in EMEA s revenues was due to a negative foreign currency impact of $12.4 million and end-of-life client programs of $0.3 million, partially offset by higher volumes from existing clients of $5.7 million and new clients of $0.9 million.

On a consolidated basis, we had 40,200 brick-and-mortar seats as of June 30, 2015, a decrease of 900 seats from the comparable period in 2014. This decrease in seats was primarily due to on-going capacity rationalization. The capacity utilization rate on a combined basis was 80% compared to 79% in the comparable period in 2014. This increase was primarily due to capacity rationalization.

On a geographic segment basis, 33,500 seats were located in the Americas, a decrease of 1,300 seats from the comparable period in 2014, and 6,700 seats were located in EMEA, an increase of 400 seats from the comparable period in 2014. Capacity utilization rates as of June 30, 2015 were 79% for the Americas and 86% for EMEA, compared to 77% and 89%, respectively, in the comparable period in 2014, primarily due to capacity rationalization in the Americas and seat additions in EMEA. We strive to attain an 85% capacity utilization metric at each of our locations.

We plan to add approximately 3,400 seats on a gross basis in 2015 to support higher demand, primarily in the financial services vertical. Approximately 800 seats were added during the six months ended June 30, 2015. Total seat count on a net basis for the full year is expected to increase by 1,700 seats relative to 2014.

Table of Contents

***Direct Salaries and Related Costs***

| | Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | | |
| (in thousands) | Amount | % of Revenues | Amount | % of Revenues | $ Change | Change in % of Revenues |
| Americas | **$ 159,942** | **64.1%** | $ 172,854 | 67.3% | $ (12,912) | -3.2% |
| EMEA | **42,201** | **73.1%** | 48,231 | 75.6% | (6,030) | -2.5% |
| Consolidated | **$ 202,143** | **65.7%** | $ 221,085 | 69.0% | $ (18,942) | -3.3% |

The decrease of $18.9 million in direct salaries and related costs included a positive foreign currency impact of $4.9 million in the Americas and a positive foreign currency impact of $9.2 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 3.3% driven by increased agent productivity within the communications and technology verticals in the current period and the ramp up in the prior period for new and existing client programs principally in the communications vertical without the commensurate increase in revenues, and auto tow claim costs of 0.2%, partially offset by higher 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 compensation costs of 3.9% driven by the ramp up in the prior period for new and existing client programs principally in the communications vertical, lower billable supply costs of 0.9%, lower communication costs of 0.2%, lower postage costs of 0.2% and lower other costs of 0.1%, partially offset by higher fulfillment materials costs of 2.8% driven by higher demand in a new client program.

***General and Administrative***

| | Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | | |
| (in thousands) | Amount | % of Revenues | Amount | % of Revenues | $ Change | Change in % of Revenues |
| Americas | **$ 48,031** | **19.2%** | $ 48,908 | 19.1% | $ (877) | 0.1% |
| EMEA | **11,498** | **19.9%** | 12,828 | 20.1% | (1,330) | -0.2% |
| Other | **13,122** | | 12,269 | | 853 | |
| Consolidated | **$ 72,651** | **23.6%** | $ 74,005 | 23.1% | $ (1,354) | 0.5% |

The decrease of $1.4 million in general and administrative expenses included a positive foreign currency impact of $1.0 million in the Americas and a positive foreign currency impact of $2.4 million in EMEA.

The increase in Americas general and administrative expenses, as a percentage of revenues, was primarily attributable to higher facility-related costs of 0.3% and higher other costs of 0.4%, partially offset by lower communication costs of 0.3% and lower equipment and maintenance costs of 0.3%.

The decrease in EMEA s general and administrative expenses, as a percentage of revenues, was primarily attributable to lower compensation costs of 0.3%, lower communication costs of 0.2% and lower recruiting costs of 0.2%, partially offset by higher facility-related costs of 0.5%.

The increase of $0.9 million in Other general and administrative expenses, which includes corporate and other costs, was primarily attributable to higher merger and integration costs of $0.4 million, higher compensation costs of $0.3 million, higher travel costs of $0.3 million, higher consulting costs of $0.2 million and higher other costs of $0.3 million, partially offset by lower legal and professional fees of $0.4 million and lower facility-related costs of $0.2 million.

Table of Contents

***Depreciation and Amortization***

| | Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | | |
| (in thousands) | Amount | % of Revenues | Amount | % of Revenues | $ Change | Change in % of Revenues |
| Depreciation, net: | | | | | | |
| Americas | **$ 9,605** | **3.8%** | $ 10,107 | 3.9% | $ (502) | -0.1% |
| EMEA | **1,084** | **1.9%** | 1,215 | 1.9% | (131) | 0.0% |
| Other | **318** | | | | 318 | |
| Consolidated | **$ 11,007** | **3.6%** | $ 11,322 | 3.5% | $ (315) | 0.1% |
| Amortization of intangibles: | | | | | | |
| Americas | **$ 3,435** | **1.4%** | $ 3,659 | 1.4% | $ (224) | 0.0% |
| EMEA | | **0.0%** | | 0.0% | | 0.0% |
| Other | | | | | | |
| Consolidated | **$ 3,435** | **1.1%** | $ 3,659 | 1.1% | $ (224) | 0.0% |

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

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

***Other Income (Expense)***

| | Three Months Ended June 30, | | |
|---|---|---|---|
| (in thousands) | 2015 | 2014 | $ Change |
| Interest income | **$ 151** | $ 237 | $ (86) |
| Interest (expense) | **$ (610)** | $ (552) | $ (58) |
| Other income (expense): | | | |
| Foreign currency transaction gains (losses) | **$ (90)** | $ 759 | $ (849) |
| Gains (losses) on foreign currency derivative instruments not designated as hedges | **67** | (1,331) | 1,398 |
| Other miscellaneous income (expense) | **(144)** | 173 | (317) |
| Total other income (expense) | **$ (167)** | $ (399) | $ 232 |

Interest income and interest (expense) remained consistent with the comparable period in 2014.

Other income (expense) excludes the cumulative translation effects and unrealized gains (losses) on financial derivatives that are included in Accumulated other comprehensive income (loss) in shareholders equity in the accompanying Condensed Consolidated Balance Sheets.

***Income Taxes***

| | Three Months Ended June 30, | | |
|---|---|---|---|
| (in thousands) | 2015 | 2014 | $ Change |
| Income before income taxes | **$ 17,591** | $ 9,713 | $ 7,878 |
| Income taxes | **$ 4,679** | $ 1,376 | $ 3,303 |
| | | | **% Change** |
| Effective tax rate | **26.6%** | 14.2% | 12.4% |

The increase in income taxes in 2015 compared to 2014 is due to several factors, including fluctuations in earnings among the various jurisdictions in which we operate, none of which are individually material.

41

Table of Contents

**Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014**

***Revenues***

| | Six Months Ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2015 | | 2014 | | |
| (in thousands) | Amount | % of Revenues | Amount | % of Revenues | $ Change |
| Americas | **$ 513,855** | **81.4%** | $ 517,909 | 80.3% | $ (4,054) |
| EMEA | **117,247** | **18.6%** | 127,018 | 19.7% | (9,771) |
| Other | **36** | **0.0%** | | 0.0% | 36 |
| Consolidated | **$ 631,138** | **100.0%** | $ 644,927 | 100.0% | $ (13,789) |

Consolidated revenues decreased $13.8 million, or (2.1)%, for the six months ended June 30, 2015 from the comparable period in 2014.

The decrease in Americas revenues was due to end-of-life client programs of $48.7 million and a negative foreign currency impact of $7.7 million, partially offset by higher volumes from existing clients of $45.0 million and new clients of $7.3 million. Revenues from our offshore operations represented 44.3% of Americas revenues, compared to 37.8% for the comparable period in 2014.

The decrease in EMEA s revenues was due to a negative foreign currency impact of $24.9 million and end-of-life client programs of $0.8 million, partially offset by higher volumes from existing clients of $14.3 million and new clients of $1.6 million.

***Direct Salaries and Related Costs***

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | | |
| (in thousands) | Amount | % of Revenues | Amount | % of Revenues | $ Change | Change in % of Revenues |
| Americas | **$ 331,041** | **64.4%** | $ 348,388 | 67.3% | $ (17,347) | -2.9% |
| EMEA | **85,029** | **72.5%** | 94,322 | 74.3% | (9,293) | -1.8% |
| Consolidated | **$ 416,070** | **65.9%** | $ 442,710 | 68.6% | $ (26,640) | -2.7% |

The decrease of $26.6 million in direct salaries and related costs included a positive foreign currency impact of $10.5 million in the Americas and a positive foreign currency impact of $18.2 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 2.7% driven by increased agent productivity within the communications and technology verticals in the current period and the ramp up in the prior period for new and existing client programs principally in the communications vertical without the commensurate increase in revenues, 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 2.6% driven by the ramp up in the prior period for new and existing client programs principally in the communications vertical, lower billable supply costs of 0.9% and lower postage costs of 0.3%, partially offset by higher fulfillment materials costs of 1.7% driven by higher demand in a new client program, higher communication costs of 0.2% and higher other costs of 0.1%.

**Table of Contents**

***General and Administrative***

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | | |
| (in thousands) | Amount | % of Revenues | Amount | % of Revenues | $ Change | Change in % of Revenues |
| Americas | **$ 95,553** | **18.6%** | $ 98,181 | 19.0% | $ (2,628) | -0.4% |
| EMEA | **23,234** | **19.8%** | 25,879 | 20.4% | (2,645) | -0.6% |
| Other | **26,591** | | 23,322 | | 3,269 | |
| Consolidated | **$ 145,378** | **23.0%** | $ 147,382 | 22.9% | $ (2,004) | 0.1% |

The decrease of $2.0 million in general and administrative expenses included a positive foreign currency impact of $2.2 million in the Americas and a positive foreign currency impact of $4.9 million in EMEA.

The decrease in Americas general and administrative expenses, as a percentage of revenues, was primarily attributable to lower other taxes of 0.2% and lower communication costs of 0.2%.

The decrease in EMEA s general and administrative expenses, as a percentage of revenues, was primarily attributable to lower compensation costs of 0.5%, lower communication costs of 0.2% and lower other costs of 0.2%, partially offset by higher facility-related costs of 0.3%.

The increase of $3.3 million in Other general and administrative expenses, which includes corporate and other costs, was primarily attributable to higher compensation costs of $2.0 million, higher consulting costs of $0.5 million, higher software maintenance costs of $0.4 million, higher merger and integration costs of $0.4 million and higher travel costs of $0.3 million, partially offset by lower facility-related costs of $0.2 million and lower other costs of $0.1 million.

***Depreciation and Amortization***

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | | |
| (in thousands) | Amount | % of Revenues | Amount | % of Revenues | $ Change | Change in % of Revenues |
| Depreciation, net: | | | | | | |
| Americas | **$ 19,185** | **3.7%** | $ 20,248 | 3.9% | $ (1,063) | -0.2% |
| EMEA | **2,227** | **1.9%** | 2,372 | 1.9% | (145) | 0.0% |
| Other | **654** | | | | 654 | |
| Consolidated | **$ 22,066** | **3.5%** | $ 22,620 | 3.5% | $ (554) | 0.0% |
| Amortization of intangibles: | | | | | | |
| Americas | **$ 6,866** | **1.3%** | $ 7,310 | 1.4% | $ (444) | -0.1% |
| EMEA | | **0.0%** | | 0.0% | | 0.0% |
| Other | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Consolidated | **$** | **6,866** | **1.1%** | $ 7,310 | 1.1% | $ (444) | 0.0% |

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

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

43

**Table of Contents**

***Other Income (Expense)***

| | Six Months Ended June 30, | | |
|---|---|---|---|
| (in thousands) | **2015** | **2014** | **$ Change** |
| Interest income | **$ 317** | $ 468 | $ (151) |
| Interest (expense) | **$ (1,049)** | $ (1,051) | $ 2 |
| Other income (expense): | | | |
| Foreign currency transaction gains (losses) | **$ (1,025)** | $ 631 | $ (1,656) |
| Gains (losses) on foreign currency derivative instruments not designated as hedges | **(97)** | (608) | 511 |
| Other miscellaneous income (expense) | **126** | 241 | (115) |
| Total other income (expense) | **$ (996)** | $ 264 | $ (1,260) |

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.

Interest (expense) remained consistent with the comparable period in 2014.

Other income (expense) excludes the cumulative translation effects and unrealized gains (losses) on financial derivatives that are included in Accumulated other comprehensive income (loss) in shareholders equity in the accompanying Condensed Consolidated Balance Sheets.

***Income Taxes***

| | Six Months Ended June 30, | | |
|---|---|---|---|
| (in thousands) | **2015** | **2014** | **$ Change** |
| Income before income taxes | **$ 39,030** | $ 24,586 | $ 14,444 |
| Income taxes | **$ 10,479** | $ 5,936 | $ 4,543 |
| | | | **% Change** |
| Effective tax rate | **26.8%** | 24.1% | 2.7% |

The increase in income taxes in 2015 compared to 2014 is due to several factors, including fluctuations in earnings among the various jurisdictions in which we operate, none of which are individually material.

***Client Concentration***

Our top ten clients accounted for approximately 49.0% and 46.5% of our consolidated revenues in the three months ended June 30, 2015 and 2014, respectively, and 49.2% and 46.3% of our consolidated revenues in the six months ended June 30, 2015 and 2014, respectively.

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

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| | Amount | % of Revenues | Amount | % of Revenues | Amount | % of Revenues | Amount | % of Revenues |
| Americas | **$ 53,422** | **21.4%** | $ 47,164 | 18.4% | **$ 113,445** | **22.1%** | $ 95,062 | 18.4% |
| EMEA | **813** | **1.4%** | 904 | 1.4% | **1,563** | **1.3%** | 1,801 | 1.4% |
| | **$ 54,235** | **17.6%** | $ 48,068 | 15.0% | **$ 115,008** | **18.2%** | $ 96,863 | 15.0% |

We have multiple distinct contracts with AT&T spread across multiple lines of businesses, which expire at varying dates between 2015 and 2017. 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.

44

Table of Contents

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

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| | Amount | % of Revenues | Amount | % of Revenues | Amount | % of Revenues | Amount | % of Revenues |
| Americas | **$ 14,423** | **5.8%** | $ 17,822 | 6.9% | **$ 29,218** | **5.7%** | $ 36,797 | 7.1% |
| EMEA | | **0.0%** | | 0.0% | | **0.0%** | | 0.0% |
| | **$ 14,423** | **4.7%** | $ 17,822 | 5.6% | **$ 29,218** | **4.6%** | $ 36,797 | 5.7% |

Other than AT&T, total revenues by segment of our clients that each individually represents 10% or greater of that segment s revenues in each of the periods were as follows (in thousands):

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| | Amount | % of Revenues | Amount | % of Revenues | Amount | % of Revenues | Amount | % of Revenues |
| Americas | **$** | **0.0%** | $ | 0.0% | **$** | **0.0%** | $ | 0.0% |
| EMEA | **16,567** | **28.7%** | 20,099 | 31.5% | **34,005** | **29.0%** | 39,936 | 31.4% |
| | **$ 16,567** | **5.4%** | $ 20,099 | 6.3% | **$ 34,005** | **5.4%** | $ 39,936 | 6.2% |

**Business Outlook**

For the three months ended September 30, 2015, we anticipate the following financial results:

Revenues in the range of $315.0 million to $320.0 million;

Effective tax rate of approximately 29.0%;

Fully diluted share count of approximately 42.2 million;

Diluted earnings per share in the range of $0.29 to $0.32; and

Capital expenditures in the range of $25.0 million to $28.0 million

For the twelve months ended December 31, 2015, we anticipate the following financial results:

- Revenues in the range of $1,275.0 million to $1,285.0 million;
- Effective tax rate of approximately 27.0%;
- Fully diluted share count of approximately 42.6 million;
- Diluted earnings per share in the range of $1.35 to $1.41; and
- Capital expenditures in the range of $60.0 million to $65.0 million

We are updating our full-year 2015 revenues and diluted earnings per share outlook given the better-than-expected financial results for the second quarter. Our revenues and earnings per share assumptions for the third quarter and full-year 2015 are based on foreign exchange rates as of July 2015. 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 third quarter and full-year as disclosed above.

We anticipate total other income (expense) of approximately $0.8 million for the third quarter and $3.2 million for the full year 2015. These amounts exclude the potential impact of any future foreign exchange gains or losses in other income (expense).

We anticipate a slightly higher effective tax rate for full-year 2015 relative to the business outlook provided previously, driven chiefly by a shift in the geographic mix of earnings to higher tax rate jurisdictions.

Not included in this guidance is the impact of any future acquisitions, share repurchase activities or a potential sale of previously exited customer contact management 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 contact management 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 ). A total of 4.5 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 the six months ended June 30, 2015, cash increased $57.1 million from operating activities, $0.5 million from proceeds from insurance settlement, $0.1 million from the sale of property and equipment, $0.2 million from excess tax benefits from stock-based compensation and $0.5 million from the proceeds from grants. The increase in cash was offset by $19.5 million used for capital expenditures, $10.0 million to repay long-term debt, $12.0 million to repurchase common stock, $1.3 million to repurchase common stock for minimum tax withholding on equity awards and $1.0 million for loan fees related to long-term debt, resulting in a $7.2 million increase in available cash (including the unfavorable effects of foreign currency exchange rates on cash and cash equivalents of $7.4 million).

Net cash flows provided by operating activities for the six months ended June 30, 2015 were $57.1 million, compared to $39.3 million for the comparable period in 2014. The $17.8 million increase in net cash flows from operating activities was due to a $9.9 million increase in net income and a net increase of $8.9 million in cash flows from assets and liabilities, partially offset by a $1.0 million decrease in non-cash reconciling items such as depreciation, amortization, unrealized foreign currency transaction (gains) losses and deferred income taxes. The $8.9 million increase in 2015 from 2014 in cash flows from assets and liabilities was principally a result of a $26.3 million decrease in accounts receivable, partially offset by a $10.9 million increase in other assets, a $3.1 million decrease in deferred revenue, a $2.9 million decrease in other liabilities and a $0.5 million decrease in taxes payable. The $26.3 million decrease in the change in accounts receivable was primarily due to lower volumes within certain clients as well as the timing of billings and collections in the six months ended June 30, 2015 over the comparable period in 2014. The $10.9 million increase in other assets was primarily due to a change in the net investment hedge of $4.4 million and a change in deferred tax assets of $6.3 million in the six months ended June 30, 2015 over the comparable period in 2014.

Capital expenditures, which are generally funded by cash generated from operating activities, available cash balances and borrowings available under our credit facilities, were $19.5 million for the six months ended June 30, 2015, compared to $24.2 million for the comparable period in 2014, a decrease of $4.7 million. In 2015, we anticipate capital expenditures in the range of $60.0 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 replaced our previous $245 million revolving credit facility dated May 3, 2012, 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. At June 30, 2015, we were in compliance with all loan requirements of the 2015 Credit Agreement and had $65.0 million of outstanding borrowings under this facility as of June 30, 2015.

Our credit agreements had an average daily utilization of $70.2 million and $90.2 million during the three months ended June 30, 2015 and 2014, respectively, and $72.2 million and $93.3 million during the six months ended June 30, 2015 and 2014, respectively. During the three months ended June 30, 2015 and 2014, the related interest expense, including the commitment fee and excluding the amortization of deferred loan fees, was $0.3 million and $0.4 million, respectively, which represented weighted average interest rates of 1.8% and 1.6%, respectively. During the six months ended June 30, 2015 and 2014, the related interest expense, including the commitment fee and excluding the amortization of deferred loan fees, was $0.6 million and $0.7 million, respectively, which represented weighted average interest rates of 1.8% and 1.6%, 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.

Table of Contents

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

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

The 2015 Credit Agreement is guaranteed by all of 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 fluctuations in the foreign exchange rate, are $14.9 million and $15.9 million as of June 30, 2015 and December 31, 2014, respectively, and are included in Deferred charges and other assets in the accompanying Condensed Consolidated Balance Sheets. Although the outcome of examinations by taxing authorities is always uncertain, we believe we are adequately reserved for these audits and resolution is not expected to have a material impact on our financial condition and results of operations.

As of June 30, 2015, we had $222.4 million in cash and cash equivalents, of which approximately 90.8%, or $201.9 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 described in our Annual Report on Form 10-K for the year ended December 31, 2014.

***Off-Balance Sheet Arrangements and Other***

As of June 30, 2015, 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

Table of Contents

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 Condensed 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 Condensed Consolidated Balance Sheets with respect to any client contracts under which we have or may have unlimited liability.

***Contractual Obligations***

The following table summarizes the material changes to our contractual cash obligations as of June 30, 2015, and the effect these obligations are expected to have on liquidity and cash flow in future periods (in thousands):

| | | Payments Due By Period | | | | |
|---|---|---|---|---|---|---|
| | **Total** | **Less Than 1 Year** | **1 - 3 Years** | **3 - 5 Years** | **After 5 Years** | **Other** |
| Operating leases [1] | $ 67,410 | $ 2,153 | $ 18,847 | $ 18,801 | $ 27,609 | $ |
| Purchase obligations [2] | 4,101 | 2,681 | 1,420 | | | |
| | **$ 71,511** | **$ 4,834** | **$ 20,267** | **$ 18,801** | **$ 27,609** | **$** |

(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.

As a result of entering into the 2015 Credit Agreement on May 12, 2015, the maturity date of our outstanding long-term debt of $65.0 million as of June 30, 2015 is now May 12, 2020 rather than May 2, 2017 under the 2012 Credit Agreement. See Note 10, Borrowings, of Notes to Condensed Consolidated Financial Statements for further information.

Except for the contractual obligations mentioned above, there have not been any material changes to the outstanding contractual obligations from the disclosure in our Annual Report on Form 10-K as of and for the year ended December 31, 2014 filed on February 19, 2015.

**Critical Accounting Estimates**

See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report and Form 10-K for the year ended December 31, 2014 filed on February 19, 2015 for a discussion of our critical accounting estimates.

There have been no material changes to our critical accounting estimates in 2015.

**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

Table of Contents

performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. The amendments are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period; early adoption is not permitted. 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. On July 9, 2015, the FASB agreed to defer the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017 and the interim periods within that year. We are currently evaluating the methods of adoption and the impact that the adoption of ASU 2014-09 may have on our financial condition, results of operations and cash flows.

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

In January 2015, the FASB issued ASU 2015-01 *Income Statement Extraordinary and Unusual Items (Subtopic 225-20) Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items* ( ASU 2015-01 ). This amendment eliminates from U.S. GAAP the concept of extraordinary items as part of the FASB s initiative to reduce complexity in accounting standards. These amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015; early adoption is permitted. Entities may apply the amendments either prospectively or retrospectively to all prior periods presented in the financial statements. We do not expect the adoption of ASU 2015-01 on January 1, 2016 to materially impact our financial condition, results of operations and cash flows.

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

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

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

Table of Contents

## Item 3. 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 contact management 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, CRC, HUF and RON, we had outstanding forward contracts and options as of June 30, 2015 with counterparties through June 2016 with notional amounts totaling $134.5 million. As of June 30, 2015, we had net total derivative assets associated with these contracts with a fair value of $1.7 million, which will settle within the next 12 months. If the USD was to weaken against the PHP and CRC and the EUR was to weaken against the HUF and RON by 10% from current period-end levels, we would incur a loss of approximately $10.9 million on the underlying exposures of the derivative instruments. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We entered into forward exchange contracts with notional amounts totaling $63.5 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 June 30, 2015, the fair value of these derivatives was a net asset of $8.6 million. The potential loss in fair value at June 30, 2015, for these contracts resulting from a hypothetical 10% adverse change in the foreign currency exchange rates is approximately $5.5 million. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We also entered into forward exchange contracts with notional amounts totaling $58.2 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 June 30, 2015, the fair value of these derivatives was a net liability of $0.1 million. The potential loss in fair value at June 30, 2015, for these contracts resulting from a hypothetical 10% adverse change in the foreign currency exchange rates is approximately $2.8 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.

Table of Contents

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 June 30, 2015, we had $65.0 million in borrowings outstanding under the revolving credit facility. Based on our level of variable rate debt outstanding during the three and six months ended June 30, 2015, a 1.0% increase in the weighted average interest rate, which generally equals the LIBOR rate plus an applicable margin, would have had an impact of $0.2 million and $0.4 million, respectively, on our results of operations.

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

**Fluctuations in Quarterly Results**

For the year ended December 31, 2014, quarterly revenues as a percentage of total consolidated annual revenues were approximately 24%, 24%, 25% and 27%, respectively, for each of the respective quarters of the year. We have experienced and anticipate that in the future we will experience variations in quarterly revenues. The variations are due to the timing of new contracts and renewal of existing contracts, the timing and frequency of client spending for customer contact management services, non-U.S. currency fluctuations, and the seasonal pattern of customer contact management support and fulfillment services.

## Item 4. Controls and Procedures

As of June 30, 2015, under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a 15(e) under the Securities Exchange Act of 1934, as amended. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time period specified by the SEC s rules and forms, and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. We concluded that, as of June 30, 2015, our disclosure controls and procedures were effective at the reasonable assurance level.

There were no changes in our internal controls over financial reporting during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

# Part II. OTHER INFORMATION

## Item 1. 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 provided adequate accruals for related costs such that the ultimate outcome will not have a material adverse effect on our future financial position or results of operations.

**Item 1A. Risk Factors**

For risk factors, see Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2014 filed on February 19, 2015.

Table of Contents

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Below is a summary of stock repurchases for the three months ended June 30, 2015 (in thousands, except average price per share). See Note 13, Earnings Per Share, of Notes to Condensed Consolidated Financial Statements for information regarding our stock repurchase program.

| 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 |
|---|---|---|---|---|
| April 1, 2015 - April 30, 2015 | | $ | | 778 |
| May 1, 2015 - May 31, 2015 | 234 | $ 24.52 | 234 | 544 |
| June 1, 2015 - June 30, 2015 | 45 | $ 24.28 | 45 | 499 |
| Total | **279** | | **279** | **499** |

(1) All shares purchased as part of the repurchase plan publicly announced on August 18, 2011. Total number of shares approved for repurchase under the 2011 Repurchase Plan was 5.0 million with no expiration date.

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

Not Applicable.

## Item 5. Other Information

None.

## Item 6. Exhibits

The following documents are filed as an exhibit to this Report:

10.1 Credit Agreement, dated May 12, 2015, between Sykes Enterprises, Incorporated, the lenders party thereto and KeyBank National Association, as Lead Arranger, Sole Book Runner, Administrative Agent, Swing Line Lender and Issuing Lender (filed as an Exhibit to the

| | |
|---|---|
| | Registrant s Current Report on Form 8-K filed with the Commission on May 13, 2015, and incorporated herein by reference). |
| 15 | Awareness letter. |
| 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 18 U.S.C. §1350. |
| 32.2 | Certification of Chief Financial Officer, pursuant to 18 U.S.C. §1350. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |

**Table of Contents**

## SIGNATURE

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

SYKES ENTERPRISES, INCORPORATED
(Registrant)

Date: August 4, 2015

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

53

## EXHIBIT INDEX

| Exhibit Number | |
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