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

FORM 10-Q

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

For the quarterly period ended September 30, 2017

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

For the transition period from ________________ to ________________________

Commission File No. **0-28274**

Sykes Enterprises, Incorporated
(Exact name of Registrant as specified in its charter)

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

400 North Ashley Drive, Suite 2800, Tampa, FL 33602
(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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

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

Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of October 19, 2017, there were 42,897,526 outstanding shares of common stock.

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Sykes Enterprises, Incorporated and Subsidiaries

Form 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands, except per share data)	September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	**$ 328,166**	$ 266,675
Receivables, net	**342,640**	318,558
Prepaid expenses	**20,848**	21,973
Other current assets	**16,930**	16,030
Total current assets	**708,584**	623,236
Property and equipment, net	**159,959**	156,214
Goodwill, net	**269,028**	265,404
Intangibles, net	**145,543**	153,055
Deferred charges and other assets	**29,566**	38,494
	$ 1,312,680	$ 1,236,403
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	**$ 26,851**	$ 29,163
Accrued employee compensation and benefits	**106,681**	92,552
Income taxes payable	**1,252**	4,487
Deferred revenue	**43,330**	38,736
Other accrued expenses and current liabilities	**37,330**	37,919
Total current liabilities	**215,444**	202,857
Deferred grants	**3,381**	3,761
Long-term debt	**267,000**	267,000
Long-term income tax liabilities	**2,578**	19,326
Other long-term liabilities	**21,824**	18,937
Total liabilities	**510,227**	511,881
Commitments and loss contingency (Note 14)		
Shareholders' equity:		
Preferred stock, $0.01 par value per share, 10,000 shares authorized; no shares issued and outstanding	**-**	-
Common stock, $0.01 par value per share, 200,000 shares authorized; 42,895 and 42,895 shares issued, respectively	**429**	429
Additional paid-in capital	**279,271**	281,357
Retained earnings	**563,879**	518,611
Accumulated other comprehensive income (loss)	**(38,997)**	(67,027)
Treasury stock at cost: 121 and 362 shares, respectively	**(2,129)**	(8,848)
Total shareholders' equity	**802,453**	724,522
	$ 1,312,680	$ 1,236,403

See accompanying Notes to Condensed Consolidated Financial Statements.

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

(in thousands, except per share data)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Revenues	**$ 407,309**	$ 385,743	**$ 1,166,761**	$ 1,070,891
Operating expenses:				
Direct salaries and related costs	**267,516**	249,859	**763,324**	694,856
General and administrative	**93,364**	87,955	**277,664**	262,800
Depreciation, net	**14,227**	13,004	**41,395**	35,748
Amortization of intangibles	**5,293**	5,254	**15,774**	14,144
Impairment of long-lived assets	**680**	-	**5,071**	-
Total operating expenses	**381,080**	356,072	**1,103,228**	1,007,548
Income from operations	**26,229**	29,671	**63,533**	63,343
Other income (expense):				
Interest income	**169**	135	**468**	429
Interest (expense)	**(2,021)**	(1,578)	**(5,585)**	(3,967)
Other income (expense), net	**64**	981	**1,747**	2,601
Total other income (expense), net	**(1,788)**	(462)	**(3,370)**	(937)
Income before income taxes	**24,441**	29,209	**60,163**	62,406
Income taxes	**2,746**	7,939	**10,911**	18,044
Net income	**$ 21,695**	$ 21,270	**$ 49,252**	$ 44,362
Net income per common share:				
Basic	**$ 0.52**	$ 0.51	**$ 1.18**	$ 1.06
Diluted	**$ 0.52**	$ 0.50	**$ 1.17**	$ 1.05
Weighted average common shares outstanding:				
Basic	**41,879**	41,938	**41,800**	41,873
Diluted	**42,033**	42,224	**42,006**	42,233

See accompanying Notes to Condensed Consolidated Financial Statements.

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

(in thousands)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Net income	**$ 21,695**	$ 21,270	**$ 49,252**	$ 44,362
Other comprehensive income (loss), net of taxes:				
Foreign currency translation gain (loss), net of taxes	**11,502**	(163)	**31,884**	4,137
Unrealized gain (loss) on net investment hedges, net of taxes	**(1,916)**	(607)	**(5,220)**	(1,040)
Unrealized actuarial gain (loss) related to pension liability, net of taxes	**(19)**	(33)	**(58)**	(59)
Unrealized gain (loss) on cash flow hedging instruments, net of taxes	**1,326**	(1,322)	**1,462**	(888)
Unrealized gain (loss) on postretirement obligation, net of taxes	**(13)**	61	**(38)**	34
Other comprehensive income (loss), net of taxes	**10,880**	(2,064)	**28,030**	2,184
Comprehensive income (loss)	**$ 32,575**	$ 19,206	**$ 77,282**	$ 46,546

See accompanying Notes to Condensed Consolidated Financial Statements.

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statement of Changes in Shareholders' Equity
Nine Months Ended September 30, 2017
(Unaudited)

(in thousands)	Common Stock Shares Issued	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2016	42,895	$ 429	$ 281,357	$ 518,611	$ (67,027)	$ (8,848)	$ 724,522
Cumulative effect of accounting change	-	-	232	(153)	-	-	79
Stock-based compensation expense	-	-	4,429	-	-	-	4,429
Issuance of common stock under equity award plans, net of shares withheld for employee taxes	250	3	(3,553)	-	-	(309)	(3,859)
Retirement of treasury stock	(250)	(3)	(3,194)	(3,831)	-	7,028	-
Comprehensive income (loss)	-	-	-	49,252	28,030	-	77,282
Balance at September 30, 2017	**42,895**	**$ 429**	**$ 279,271**	**$ 563,879**	**$ (38,997)**	**$ (2,129)**	**$ 802,453**

See accompanying Notes to Condensed Consolidated Financial Statements.

Sykes Enterprises, Incorporated and Subsidiaries
C ondensed Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	Nine Months Ended September 30, 2017	2016
Cash flows from operating activities:		
Net income	**$ 49,252**	$ 44,362
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**41,778**	36,208
Amortization of intangibles	**15,774**	14,144
Amortization of deferred grants	**(550)**	(659)
Impairment losses	**5,071**	-
Unrealized foreign currency transaction (gains) losses, net	**(1,714)**	(2,359)
Stock-based compensation expense	**4,429**	7,836
Deferred income tax provision (benefit)	**7,395**	(2,697)
Unrealized (gains) losses on financial instruments, net	**126**	547
Amortization of deferred loan fees	**201**	201
Imputed interest expense and fair value adjustments to contingent consideration	**(529)**	(2,082)
Other	**173**	(50)
Changes in assets and liabilities, net of acquisitions:		
Receivables	**(3,844)**	(21,717)
Prepaid expenses	**1,048**	(1,049)
Other current assets	**(4,523)**	(2,562)
Deferred charges and other assets	**(667)**	(919)
Accounts payable	**2,937**	(391)
Income taxes receivable / payable	**(7,285)**	5,356
Accrued employee compensation and benefits	**12,038**	17,538
Other accrued expenses and current liabilities	**(697)**	7,304
Deferred revenue	**2,476**	5,231
Other long-term liabilities	**(4,515)**	1,127
Net cash provided by operating activities	**118,374**	105,369
Cash flows from investing activities:		
Capital expenditures	**(48,430)**	(59,348)
Cash paid for business acquisitions, net of cash acquired	**(9,075)**	(205,324)
Net investment hedge settlement	**(5,122)**	10,339
Purchase of intangible assets	**(4,825)**	(10)
Investment in equity method investees	**(5,012)**	-
Other	**6**	(43)
Net cash (used for) investing activities	**(72,458)**	(254,386)

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Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Continued)

(in thousands)	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Cash flows from financing activities:		
Payments of long-term debt	-	(14,000)
Proceeds from issuance of long-term debt	-	216,000
Cash paid for repurchase of common stock	-	(4,117)
Proceeds from grants	**139**	151
Shares repurchased for tax withholding on equity awards	**(3,859)**	(4,916)
Payments of contingent consideration related to acquisitions	**(4,760)**	-
Net cash provided by (used for) financing activities	**(8,480)**	193,118
Effects of exchange rates on cash and cash equivalents	**24,055**	3,864
Net increase in cash and cash equivalents	**61,491**	47,965
Cash and cash equivalents – beginning	**266,675**	235,358
Cash and cash equivalents – ending	**$ 328,166**	$ 283,323
Supplemental disclosures of cash flow information:		
Cash paid during period for interest	**$ 4,852**	$ 2,680
Cash paid during period for income taxes	**$ 21,169**	$ 14,050
Non-cash transactions:		
Property and equipment additions in accounts payable	**$ 5,165**	$ 7,070
Unrealized gain (loss) on postretirement obligation in accumulated other comprehensive income (loss)	**$ (38)**	$ 34
Shares repurchased for tax withholding on equity awards included in current liabilities	**$ 123**	$ -

See accompanying Notes to Condensed Consolidated Financial Statements.

Sykes Enterprises, Incorporated and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Three and Nine Months Ended September 30, 2017 and 2016
(Unaudited)

Note 1. Overview and Basis of Presentation

Business — Sykes Enterprises, Incorporated and consolidated subsidiaries ("SYKES" or the "Company") is a global business processing outsourcing leader in providing comprehensive inbound customer engagement solutions and services to Global 2000 companies, primarily in the communications, financial services, healthcare, technology, transportation and leisure, retail and other industries. SYKES' differentiated end-to-end solutions and service platform effectively engages consumers at every touch point in their customer lifecycle, starting from digital marketing and acquisition to customer support, up-sell/cross-sell and retention. The Company serves its clients through two geographic operating regions: the Americas (United States, Canada, Latin America, Australia and the Asia Pacific Rim) and EMEA (Europe, the Middle East and Africa). Our Americas and EMEA regions primarily provide customer engagement services (with an emphasis on inbound technical support, digital marketing and demand generation, and customer service), which includes customer assistance, healthcare and roadside assistance, technical support, and product and service sales to its clients' customers. These services are delivered through multiple communication channels including phone, e-mail, social media, text messaging, chat and digital self-service. The Company also provides various enterprise support services in the United States that include services for its clients' internal support operations, from technical staffing services to outsourced corporate help desk services. In Europe, SYKES also provides fulfillment services, which includes order processing, payment processing, inventory control, product delivery and product returns handling. SYKES has developed an extensive global reach with customer engagement centers across six continents, including North America, South America, Europe, Asia, Australia and Africa. The Company delivers cost-effective solutions that enhance the customer service experience, promote stronger brand loyalty, and bring out high levels of performance and profitability.

Acquisitions

On May 31, 2017, the Company completed the acquisition of certain assets of a Global 2000 telecommunications services provider, pursuant to a definitive Asset Purchase Agreement (the "Purchase Agreement") entered into on April 24, 2017 (the "Telecommunications Asset acquisition"). The Company has reflected the Telecommunications Asset acquisition's results in the Condensed Consolidated Financial Statements since May 31, 2017. See Note 2, Acquisitions, for additional information on the acquisition.

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

Basis of Presentation — The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles" or "U.S. GAAP") for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for any future quarters or the year ending December 31, 2017. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission ("SEC") on March 1, 2017.

Principles of Consolidation — The condensed consolidated financial statements include the accounts of SYKES and its wholly-owned subsidiaries and controlled majority-owned subsidiaries. Investments in less than majority-owned subsidiaries in which the Company does not have a controlling interest, but does have significant influence, are accounted for as equity method investments. All intercompany transactions and balances have been eliminated in consolidation.

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

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

Investments in Equity Method Investees — The Company uses the equity method to account for investments in companies if the investment provides the ability to exercise significant influence, but not control, over operating and financial policies of the investee. The Company's proportionate share of the net income or loss of an equity method investment is included in consolidated net income. Judgment regarding the level of influence over an equity method investment includes considering key factors such as the Company's ownership interest, representation on the board of directors, participation in policy-making decisions and material intercompany transactions.

The Company evaluates an equity method investment for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable. Factors considered by the Company when reviewing an equity method investment for impairment include the length of time (duration) and the extent (severity) to which the fair value of the equity method investment has been less than cost, the investee's financial condition and near-term prospects, and the intent and ability to hold the investment for a period of time sufficient to allow for anticipated recovery. An impairment that is other-than-temporary is recognized in the period identified.

In July 2017, the Company made a strategic investment of $10.0 million in XSell Technologies, Inc. ("XSell") for 32.8% of XSell's preferred stock. The Company plans to incorporate XSell's machine learning and artificial intelligence algorithms into its business. The Company believes this will increase the sales performance of its agents, to drive revenue for its clients, improve the experience of the Company's clients' end customers and enhance brand loyalty, reduce the cost of customer care and leverage analytics and machine learning to source the best agents and improve their performance.

The Company's investment in XSell of $10.0 million was included in "Other assets" in the accompanying Condensed Consolidated Balance Sheet as of September 30, 2017. The Company paid $5.0 million in July 2017 with the remaining $5.0 million included in "Other accrued expenses and current liabilities" in the accompanying Condensed Consolidated Balance Sheet as of September 30, 2017. The Company's proportionate share of XSell's income (loss) of less than $(0.1) million was included in "Other income (expense), net" in the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2017.

Customer-Acquisition Advertising Costs — The Company utilizes direct-response advertising, the primary purpose of which is to elicit purchases from its clients' customers. These costs are capitalized when they are expected to result in probable future benefits and are amortized over the period during which future benefits are expected to be received, which is generally less than one month. All other advertising costs are expensed as incurred. As of September 30, 2017 and December 31, 2016, the Company had $0.1 million and less than $0.1 million of capitalized direct-response advertising costs included in "Prepaid expenses" in the accompanying Condensed Consolidated Balance Sheets, respectively. Total advertising costs included in "Direct salaries and related costs" in the accompanying Condensed Consolidated Income Statements for the three months ended September 30, 2017 and 2016 were $9.2 million and $9.8 million, respectively, and $27.6 million and $17.8 million for the nine months ended September 30, 2017 and 2016, respectively. Total advertising costs included in "General and administrative" in the accompanying Condensed Consolidated Income Statements for the three and nine months ended September 30, 2017 were less than $0.1 million and $0.1 million, respectively (none in 2016).

Reclassifications — Certain balances in the prior period have been reclassified to conform to current period presentation.

New Accounting Standards Not Yet Adopted

<u>Revenue from Contracts with Customers</u>

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). The amendments in ASU 2014-09 outline a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and indicate that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, an entity should identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) Deferral of the Effective Date* ("ASU 2015-14"). In 2016, the FASB issued additional ASUs that are also part of the overall new revenue guidance included in Accounting Standards Codification ("ASC") Topic 606. ASU 2014-09 and the related subsequent amendments are referred to herein as "ASC 606." The amendments in ASU 2015-14 defer the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. An entity should apply the amendments using either the full retrospective approach or retrospectively with a cumulative effect of initially applying the amendments recognized at the date of initial application.

The Company's implementation team has completed its evaluation of the Company's revenue streams, analyzed the Company's contracts to identify key provisions impacted by ASC 606, assessed the applicable accounting, and reviewed existing accounting policies and internal controls. The Company is in the process of implementing appropriate changes to its business processes, systems and controls to support recognition and disclosure under ASC 606. The Company will adopt ASC 606 using the modified retrospective approach applied to those contracts which were not completed as of January 1, 2018. The adoption will result in a cumulative effect adjustment to opening retained earnings as of January 1, 2018, primarily related to deferred revenue associated with the Company's customer engagement solutions and services. The adoption of these amendments will require expanded qualitative and quantitative disclosures about the Company's contracts with its customers. Based on the results of its assessment, the Company does not expect the adoption of ASC 606 on January 1, 2018 to have a material impact on its timing of recognition of revenue, financial condition, results of operations and cash flows.

The impact to the Company's results is not expected to be material because the analysis of its contracts under ASC 606 supports the recognition of revenue over time under the output method for the majority of its contracts, which is

consistent with the Company's current revenue recognition model. Revenue from the majority of the Company's contracts will continue to be recognized over time because of the continuous transfer of control to the customer. In addition, the number of the Company's performance obligations, which are classified as stand-ready performance obligations under ASC 606, is not materially different from those under the existing standard. Lastly, the accounting for the estimate of variable consideration is not expected to be materially different compared to the Company's current practice. The immaterial changes as a result of the Company's adoption of ASC 606 relate to changes in estimating variable consideration with respect to penalty and holdback provisions for failure to meet specified minimum service levels and other performance-based contingencies, as well as the change in timing of revenue recognition associated with certain customer contracts that provide additional fees upon renewal.

Financial Instruments

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

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). These amendments require the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases currently classified as operating leases under ASC 840, *Leases* . These amendments also require qualitative disclosures along with specific quantitative disclosures. These amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. Entities are required to apply the amendments at the beginning of the earliest period presented using a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, and there are certain optional practical expedients that an entity may elect to apply. The Company expects the adoption of ASU 2016-02 to result in a material increase in the assets and liabilities on the consolidated balance sheets due to the amount of the Company's lease commitments. However, the amendments will likely have an insignificant impact on the Company's consolidated statements of income. The Company is continuing to evaluate the magnitude of the impact and related disclosures, as well as the timing and method of adoption, with respect to the optional practical expedients.

Financial Instruments – Credit Losses

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

Statement of Cash Flows

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

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

Income Taxes

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740) – Intra-Entity Transfers of Assets Other than Inventory* ("ASU 2016-16"). These amendments require recognition of the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. These amendments are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. These amendments will be applied using a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued. The Company does not expect the adoption of ASU 2016-16 to materially impact its financial condition, results of operations and cash flows.

Business Combinations

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

Retirement Benefits

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715) – Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* ("ASU 2017-07"). These amendments require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net periodic benefit cost are required to be presented in the income statement separately from the service cost component outside of a subtotal of income from operations. If a separate line item is not used, the line items used in the income statement to present other components of net benefit cost must be disclosed. These amendments are effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted as of the beginning of an annual period for which financial statements, interim or annual, have not been issued or made available for issuance. These amendments will be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. The amendments allow a practical expedient that permits an employer to use the amounts disclosed in its pension and other postretirement benefit plan note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements. The Company does not expect the adoption of ASU 2017-07 to materially impact its financial condition, results of operations and cash flows.

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815) – Targeted Improvements to Accounting for Hedge Activities* ("ASU 2017-12"). These amendments help simplify certain aspects of hedge accounting and better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. For cash flow and net investment hedges as of the adoption date, the guidance requires a modified retrospective approach. The amended presentation and disclosure guidance is required only prospectively. These amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early application permitted in any interim period after issuance of this update. The Company is currently evaluating the accounting, transition and disclosure requirements to determine the impact ASU 2017-12 may have on its financial condition, results of operations, cash flows and disclosures.

New Accounting Standards Recently Adopted

Goodwill

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”). These amendments simplify the test for goodwill impairment by eliminating Step 2 from the impairment test, which required the entity to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining fair value of assets acquired and liabilities assumed in a business combination. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. These amendments are effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. These amendments will be applied on a prospective basis, with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The early adoption of ASU 2017-04 on July 31, 2017 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

Stock Compensation

In May 2017, the FASB issued ASU 2017-09, *Compensation – Stock Compensation (Topic 718) – Scope of Modification Accounting* (“ASU 2017-09”). These amendments provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. These amendments should be applied prospectively to changes in terms and conditions of awards occurring on or after the adoption date. The amendments are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including in any interim period, for public business entities for reporting periods for which financial statements have not yet been issued. The early adoption of ASU 2017-09 on June 30, 2017 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

In March 2016, the FASB issued ASU 2016-09, *Compensation – Stock Compensation (Topic 718) – Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”). These amendments are intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. These amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The adoption of ASU 2016-09 on January 1, 2017 resulted in stock-based compensation excess tax benefits or deficiencies reflected in the consolidated statements of operations on a prospective basis as a component of the provision for income taxes. Prior to the adoption, these benefits or deficiencies were recognized in equity. Additionally, the Company’s consolidated statements of cash flows now include excess tax benefits as an operating activity, with prior periods adjusted accordingly. The presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact to any of the periods presented on the Company’s consolidated cash flows statements since such cash flows have historically been presented as a financing activity. Finally, the Company has elected to account for forfeitures as they occur, rather than estimating expected forfeitures.

As a result of the adoption of ASU 2016-09, the Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2016 was adjusted as follows: a $2.1 million increase to net cash provided by operating activities and a $2.1 million decrease to net cash provided by financing activities. Additionally, the Condensed Consolidated Statement of Changes in Shareholders’ Equity for the nine months ended September 30, 2017 reflects a cumulative effect of accounting change of $0.2 million to “Additional paid-in capital” and $(0.2) million to “Retained earnings” related to the change in accounting for forfeitures.

Derivatives and Hedging

In March 2016, the FASB issued ASU 2016-05, *Derivatives and Hedging (Topic 815) – Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships* (“ASU 2016-05”). These amendments clarify that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under

Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. These amendments are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The adoption of ASU 2016-05 on January 1, 2017 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

Note 2. Acquisitions

Telecommunications Asset Acquisition

On April 24, 2017, the Company entered into a Purchase Agreement to acquire certain assets from a Global 2000 telecommunications services provider. The aggregate purchase price of $7.5 million was paid on May 31, 2017, using cash on hand, resulting in $6.0 million of property and equipment and $1.5 million of customer relationship intangibles. The Purchase Agreement contains customary representations and warranties, indemnification obligations and covenants. The Telecommunications Asset acquisition was completed to strengthen and create new partnerships for the Company and expand its geographic footprint in North America. The results of the Telecommunications Assets' operations have been included in the Company's consolidated financial statements since its acquisition on May 31, 2017.

The Company accounted for the Telecommunications Asset acquisition in accordance with ASC 805, *Business Combinations,* whereby the fair value of the purchase price was allocated to the tangible and identifiable intangible assets acquired based on their estimated fair values as of the closing date. The Company completed its analysis of the purchase price allocation during the second quarter of 2017.

Clearlink

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

The Clearlink purchase price totaled $207.9 million, consisting of the following (in thousands):

	Total
Cash (1)	$ 209,186
Working capital adjustment	(1,278)
	$ 207,908

(1) Funded through borrowings under the Company's credit agreement. See Note 10, Borrowings, for more information.

Approximately $2.6 million of the purchase price was placed in an escrow account as security for the indemnification obligations of Clearlink's members under the merger agreement. The escrow was released pursuant to the terms of the escrow agreement, but the Company subsequently asserted a claim of approximately $0.4 million against the Clearlink members. This claim has been resolved by the parties for $0.2 million, which is due to the Company prior to December 31, 2017.

The following table summarizes the final purchase price allocation of the fair values of the assets acquired and liabilities assumed, all included in the Americas segment (in thousands):

	Amount
Cash and cash equivalents	$ 2,584
Receivables (1)	16,801
Prepaid expenses	1,553
Total current assets	20,938
Property and equipment	12,869
Goodwill	70,563
Intangibles	121,400
Deferred charges and other assets	229
Accounts payable	(3,564)
Accrued employee compensation and benefits	(1,610)
Income taxes payable	(340)
Deferred revenue	(4,620)
Other accrued expenses and current liabilities	(6,324)
Total current liabilities	(16,458)
Other long-term liabilities	(1,633)
	$ 207,908

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

The Company accounted for the Clearlink acquisition in accordance with ASC 805, *Business Combinations* ("ASC 805"), whereby the purchase price paid was allocated to the tangible and identifiable intangibles acquired and liabilities assumed from Clearlink based on their estimated fair values as of the closing date. The Company completed its analysis of the purchase price allocation during the fourth quarter of 2016 and the resulting adjustments were recorded in accordance with ASU 2015-16, *Business Combinations (Topic 805) Simplifying the Accounting for Measurement-Period Adjustments* .

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

The following table presents the Company's purchased intangible assets as of April 1, 2016, the Clearlink acquisition date (in thousands):

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

The amount of Clearlink's revenues and net income since the April 1, 2016 acquisition date, included in the Company's Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2016, were as follows (in thousands):

	For the Three Months Ended September 30, 2016	From April 1, 2016 Through September 30, 2016
Revenues	$ 45,494	$ 81,856
Net income	$ 3,942	$ 4,733

The following table presents the unaudited pro forma combined revenues and net earnings as if Clearlink had been included in the consolidated results of the Company for the entire three and nine month periods ended September 30, 2016. The pro forma financial information is not indicative of the results of operations that would have been achieved if the acquisition and related borrowings had taken place on January 1, 2016 (in thousands):

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Revenues	$ 385,743	$ 1,104,720
Net income	$ 21,277	$ 47,172
Net income per common share:		
Basic	$ 0.51	$ 1.13
Diluted	$ 0.50	$ 1.12

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

Merger and integration costs associated with Clearlink included in "General and administrative" costs in the accompanying Condensed Consolidated Statement of Operations were as follows (none in 2017) (in thousands):

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Severance costs:		
Americas	$ 162	$ 162
Transaction and integration costs:		
Americas	-	29
Other	39	4,415
	39	4,444
	$ 201	$ 4,606

Note 3. Costs Associated with Exit or Disposal Activities

During 2011 and 2010, the Company announced several initiatives to streamline excess capacity through targeted seat reductions in the Americas ("Exit Plans") in an on-going effort to manage and optimize capacity utilization. These Americas' Exit Plans included, but were not limited to, closing customer engagement centers in the Philippines and consolidating leased space in various locations in the U.S.

The Company paid $8.1 million in cash through December 31, 2016 under these Exit Plans for lease obligations and facility exit costs. As of December 31, 2016, there were no remaining outstanding liabilities related to the Exit Plans.

The following table summarizes the accrued liability associated with the Exit Plans' exit and disposal activities and related charges for the three and nine months ended September 30, 2016 (none in 2017) (in thousands):

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Beginning accrual	$ 319	$ 733
Cash payments	(211)	(625)
Ending accrual	$ 108	$ 108

Note 4. Fair Value

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

- Level 1 — Quoted prices for identical instruments in active markets.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable .

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

- Cash, short-term and other investments, investments held in rabbi trust and accounts payable — The carrying values for cash, short-term and other investments, investments held in rabbi trust and accounts payable approximate their fair values.
- Foreign currency forward contracts and options — Foreign currency forward contracts and options, including premiums paid on options, are recognized at fair value based on quoted market prices of comparable instruments or, if none are available, on pricing models or formulas using current market and model assumptions, including adjustments for credit risk.
- Embedded derivatives — Embedded derivatives within certain hybrid lease agreements are bifurcated from the host contract and recognized at fair value based on pricing models or formulas using significant unobservable inputs, including adjustments for credit risk.
- Long-term debt — The carrying value of long-term debt approximates its estimated fair value.
- Contingent consideration — The contingent consideration is recognized at fair value based on the discounted cash flow method.

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

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

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

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

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

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

Embedded Derivatives — The Company uses significant unobservable inputs to determine the fair value of embedded derivatives, which are classified in Level 3 of the fair value hierarchy. These unobservable inputs include expected cash flows associated with the lease, currency exchange rates on the day of commencement, as well as forward currency exchange rates, the results of which are adjusted for credit risk. These items are classified in Level 3 of the fair value hierarchy. See Note 6, Financial Derivatives, for further information.

Investments Held in Rabbi Trust — The investment assets of the rabbi trust are valued using quoted market prices in active markets, which are classified in Level 1 of the fair value hierarchy. For additional information about the deferred compensation plan, refer to Note 7, Investments Held in Rabbi Trust, and Note 16, Stock-Based Compensation.

Contingent Consideration — The Company uses significant unobservable inputs to determine the fair value of contingent consideration, which is classified in Level 3 of the fair value hierarchy. The contingent consideration recorded related to the acquisition of Qelp B.V. and its subsidiary (together, known as "Qelp") on July 2, 2015 and liabilities assumed as part of the Clearlink acquisition was recognized at fair value using a discounted cash flow methodology and a discount rate of approximately 14.0% and 10.0%, respectively. The discount rates vary dependent on the specific risks of each acquisition including the country of operation, the nature of services and complexity of the acquired business, and other similar factors, all of which are significant inputs not observable in the market. Significant increases or decreases in any of the inputs in isolation would result in a significantly higher or lower fair value measurement.

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The Company's assets and liabilities measured at fair value on a recurring basis subject to the requirements of ASC 820 consist of the following as of September 30, 2017 (in thousands):

		Balance at September 30, 2017	Fair Value Measurements at September 30, 2017 Using: Quoted Prices in Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Assets:					
Foreign currency forward and option contracts	(1)	**$ 815**	$ -	$ 815	$ -
Embedded derivatives	(1)	**41**	-	-	41
Equity investments held in rabbi trust for the Deferred Compensation Plan	(2)	**7,849**	7,849	-	-
Debt investments held in rabbi trust for the Deferred Compensation Plan	(2)	**3,427**	3,427	-	-
		$ 12,132	**$ 11,276**	**$ 815**	**$ 41**
Liabilities:					
Foreign currency forward and option contracts	(1)	**$ 916**	$ -	$ 916	$ -
Embedded derivatives	(1)	**341**	-	-	341
Contingent consideration	(3)	**1,000**	-	-	1,000
		$ 2,257	**$ -**	**$ 916**	**$ 1,341**

The Company's assets and liabilities measured at fair value on a recurring basis subject to the requirements of ASC 820 consist of the following as of December 31, 2016 (in thousands):

		Balance at December 31, 2016	Fair Value Measurements at December 31, 2016 Using: Quoted Prices in Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Assets:					
Foreign currency forward and option contracts	(1)	$ 3,921	$ -	$ 3,921	$ -
Embedded derivatives	(1)	12	-	-	12
Equity investments held in rabbi trust for the Deferred Compensation Plan	(2)	7,470	7,470	-	-
Debt investments held in rabbi trust for the Deferred Compensation Plan	(2)	1,944	1,944	-	-
		$ 13,347	$ 9,414	$ 3,921	$ 12
Liabilities:					
Foreign currency forward and option contracts	(1)	$ 1,912	$ -	$ 1,912	$ -
Embedded derivatives	(1)	567	-	-	567
Contingent consideration	(3)	6,100	-	-	6,100
		$ 8,579	$ -	$ 1,912	$ 6,667

(1) See Note 6, Financial Derivatives, for the classification in the accompanying Condensed Consolidated Balance Sheets.
(2) Included in "Other current assets" in the accompanying Condensed Consolidated Balance Sheets. See Note 7, Investments Held in Rabbi Trust.
(3) Included in "Other accrued expenses and current liabilities" in the accompanying Condensed Consolidated Balance Sheets.

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

Embedded Derivatives in Lease Agreements

A rollforward of the net asset (liability) activity in the Company's fair value of the embedded derivatives is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Balance at the beginning of the period	$ (171)	$ 43	$ (555)	$ -
Gains (losses) recognized in "Other income (expense), net"	(193)	131	122	176
Settlements	66	(2)	134	(5)
Effect of foreign currency	(2)	4	(1)	5
Balance at the end of the period	**$ (300)**	$ 176	**$ (300)**	$ 176
Change in unrealized gains (losses) included in "Other income (expense), net" related to embedded derivatives held at the end of the period	**$ (193)**	$ 131	**$ 122**	$ 176

Contingent Consideration

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Balance at the beginning of the period	$ (1,127)	$ (9,696)	$ (6,100)	$ (6,280)
Acquisition (1)	-	-	-	(2,779)
Imputed interest	(8)	(207)	(76)	(716)
Fair value gain (loss) adjustments (2)	(96)	2,798	605	2,798
Settlements	232	-	4,760	-
Effect of foreign currency	(1)	(87)	(189)	(215)
Balance at the end of the period	**$ (1,000)**	$ (7,192)	**$ (1,000)**	$ (7,192)
Change in unrealized gains (losses) included in "General and administrative" related to contingent consideration outstanding at the end of the period	**$ -**	$ 2,755	**$ -**	$ 2,755

(1) Liability acquired as part of the Clearlink acquisition on April 1, 2016. See Note 2, Acquisitions.
(2) Included in "General and administrative" costs in the accompanying Consolidated Statements of Operations.

The Company recorded a fair value loss of $0.1 million and a net fair value gain of $0.6 million in "General and administrative" during the three and nine months ended September 30, 2017, respectively, to the Clearlink contingent consideration related to settlements and changes in the probability of achievement of certain revenue targets.

The Company recorded a fair value gain of $2.6 million to the Qelp contingent consideration in "General and administrative" during the three and nine months ended September 30, 2016 due to the execution of an addendum to the Qelp purchase agreement, subject to which the Company agreed to pay the sellers EUR 4.0 million by June 30, 2017. The Company paid $4.4 million in May 2017 to settle the outstanding contingent consideration obligation. During the three and nine months ended September 30, 2016, the Company recorded a fair value gain of $0.2 million in "General and administrative" to the Clearlink contingent consideration due to changes in the probability of achievement of certain revenue targets.

The Company accretes interest expense each period using the effective interest method until the contingent consideration reaches the estimated remaining future value of $1.0 million. Interest expense related to the contingent consideration is included in "Interest (expense)" in the accompanying Condensed Consolidated Statements of Operations.

Non-Recurring Fair Value

Certain assets, under certain conditions, are measured at fair value on a nonrecurring basis utilizing Level 3 inputs, including goodwill, other intangible assets, other long-lived assets and equity method investments. For these assets, measurement at fair value in periods subsequent to their initial recognition would be applicable if these assets were determined to be impaired. The adjusted carrying values for assets measured at fair value on a nonrecurring basis (no liabilities) subject to the requirements of ASC 820 were not material at September 30, 2017 and December 31, 2016.

The following table summarizes the total impairment losses related to nonrecurring fair value measurements of certain assets (no liabilities) subject to the requirements of ASC 820 (in thousands) (none in 2016):

	Total Impairment (Loss)	
	Three Months Ended 2017	Nine Months Ended 2017
Americas:		
Property and equipment, net	**$ (680)**	**$ (5,071)**

As a result of the consolidation of leased space in the U.S., the Company recorded an impairment charge of $0.7 million during the three and nine months ended September 30, 2017 related to leasehold improvements which were not recoverable and equipment, furniture and fixtures that could not be redeployed to other locations.

In connection with the closure of an under-utilized customer contact management center in the U.S., the Company recorded an impairment charge of $4.2 million during the nine months ended September 30, 2017 related to leasehold improvements which were not recoverable and equipment, furniture and fixtures that could not be redeployed to other locations. The Company also recorded an impairment charge of $0.2 million related to the write-down of a vacant and unused parcel of land in the U.S. to its estimated fair value during the nine months ended September 30, 2017.

Note 5. Goodwill and Intangible Assets

Intangible Assets

The following table presents the Company's purchased intangible assets as of September 30, 2017 (in thousands):

	Gross Intangibles	Accumulated Amortization	Net Intangibles	Weighted Average Amortization Period (years)
Intangible assets subject to amortization:				
Customer relationships	$ 170,925	$ (90,596)	$ 80,329	10
Trade names and trademarks	14,137	(8,367)	5,770	7
Non-compete agreements	1,820	(901)	919	3
Content library	533	(533)	-	2
Proprietary software	1,550	(1,060)	490	3
Intangible assets not subject to amortization:				
Domain names	58,035	-	58,035	N/A
	$ 247,000	**$ (101,457)**	**$ 145,543**	6

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

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

The Company's estimated future amortization expense for the succeeding years relating to the purchased intangible assets resulting from acquisitions completed prior to September 30, 2017, is as follows (in thousands):

Years Ending December 31,	Amount
2017 (remaining three months)	$ 5,464
2018	15,126
2019	14,067
2020	11,380
2021	6,816
2022	5,723
2023 and thereafter	28,932

Goodwill

Changes in goodwill for the nine months ended September 30, 2017 consist of the following (in thousands):

	January 1, 2017	Acquisition	Effect of Foreign Currency	September 30, 2017
Americas	$ 255,842	$ 410	$ 2,132	**$ 258,384**
EMEA	9,562	-	1,082	**10,644**
	$ 265,404	$ 410	$ 3,214	**$ 269,028**

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

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

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

The Company performs its annual goodwill impairment test during the third quarter, or more frequently if indicators of impairment exist.

For the annual goodwill impairment test, the Company elected to forgo the option to first assess qualitative factors and performed its annual quantitative goodwill impairment test as of July 31, 2017. Under ASC 350, the carrying value of assets is calculated at the reporting unit level. The quantitative assessment of goodwill includes comparing a reporting unit's calculated fair value to its carrying value. The calculation of fair value requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth, the useful life over which cash flows will occur and determination of the Company's weighted average cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and/or conclusions on goodwill impairment for each reporting unit. If the fair value of the reporting unit is less than its carrying value, goodwill is considered impaired and an impairment loss is recognized for the amount by which the carrying value exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

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

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

As of July 31, 2017, the Company concluded that goodwill was not impaired for all six of its reporting units with goodwill, based on generally accepted valuation techniques and the significant assumptions outlined above. While the fair values of four of the six reporting units were substantially in excess of their carrying value, the Qelp and Clearlink reporting units' fair value exceeded the respective carrying value, although not substantially.

The Qelp and Clearlink reporting units are at risk of future impairment if projected operating results are not met or other inputs into the fair value measurement change. However, as of September 30, 2017, there were no indicators of impairment related to Qelp's $10.6 million of goodwill or Clearlink's $71.0 million of goodwill.

Note 6. Financial Derivatives

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

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

	September 30, 2017	December 31, 2016
Deferred gains (losses) in AOCI	**$ (761)**	$ (2,295)
Tax on deferred gains (losses) in AOCI	**(2)**	69
Deferred gains (losses) in AOCI, net of taxes	**$ (763)**	$ (2,226)
Deferred gains (losses) expected to be reclassified to "Revenues" from AOCI during the next twelve months	**$ (757)**	

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

Net Investment Hedge – The Company enters into foreign exchange forward contracts to hedge its net investment in certain foreign operations, as defined under ASC 815. The purpose of these derivative instruments is to protect the Company's interests against the risk that the net assets of certain foreign subsidiaries will be adversely affected by changes in exchange rates and economic exposures related to the Company's foreign currency-based investments in these subsidiaries.

Non-Designated Hedges

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

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

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

	As of September 30, 2017		As of December 31, 2016	
Contract Type	**Notional Amount in USD**	**Settle Through Date**	**Notional Amount in USD**	**Settle Through Date**
Cash flow hedges:				
Options:				
US Dollars/Philippine Pesos	**$ 39,000**	**September 2018**	$ 51,000	December 2017
Forwards:				
US Dollars/Philippine Pesos	**3,000**	**June 2018**	-	-
US Dollars/Costa Rican Colones	**64,000**	**December 2018**	45,500	December 2017
Euros/Hungarian Forints	**709**	**December 2017**	-	-
Euros/Romanian Leis	**1,981**	**December 2017**	-	-
Net investment hedges:				
Forwards:				
Euros/US Dollar	-	-	76,933	September 2017
Non-designated hedges:				
Forwards	**27,468**	**December 2017**	55,614	March 2017
Embedded derivatives	**13,752**	**April 2030**	13,234	April 2030

Master netting agreements exist with each respective counterparty to reduce credit risk by permitting net settlement of derivative positions. In the event of default by the Company or one of its counterparties, these agreements include a set-off clause that provides the non-defaulting party the right to net settle all derivative transactions, regardless of the currency and settlement date. The maximum amount of loss due to credit risk that, based on gross fair value, the Company would incur if parties to the derivative transactions that make up the concentration failed to perform according to the terms of the contracts was $0.8 million and $3.9 million as of September 30, 2017 and December 31, 2016, respectively. After consideration of these netting arrangements and offsetting positions by counterparty, the total net settlement amount as it relates to these positions are asset positions of $0.7 million and $3.6 million as of September 30, 2017 and December 31, 2016, respectively, and liability positions of $0.8 million and $1.6 million as of September 30, 2017 and December 31, 2016, respectively.

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

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

	Derivative Assets	
	September 30, 2017 Fair Value	December 31, 2016 Fair Value
Derivatives designated as cash flow hedging instruments under ASC 815:		
Foreign currency forward and option contracts (1)	**$ 538**	$ -
Foreign currency forward and option contracts (2)	**4**	-
	542	-
Derivatives designated as net investment hedging instruments under ASC 815:		
Foreign currency forward contracts (1)	**-**	3,230
	542	3,230
Derivatives not designated as hedging instruments under ASC 815:		
Foreign currency forward contracts (1)	**273**	691
Embedded derivatives (1)	**8**	8
Embedded derivatives (2)	**33**	4
Total derivative assets	**$ 856**	$ 3,933

	Derivative Liabilities	
	September 30, 2017 Fair Value	December 31, 2016 Fair Value
Derivatives designated as cash flow hedging instruments under ASC 815:		
Foreign currency forward and option contracts (3)	**$ 908**	$ 1,806
Foreign currency forward and option contracts (4)	**8**	-
	916	1,806
Derivatives not designated as hedging instruments under ASC 815:		
Foreign currency forward contracts (3)	**-**	106
Embedded derivatives (3)	**167**	174
Embedded derivatives (4)	**174**	393
Total derivative liabilities	**$ 1,257**	$ 2,479

(1) Included in "Other current assets" in the accompanying Condensed Consolidated Balance Sheets.
(2) Included in "Deferred charges and other assets" in the accompanying Condensed Consolidated Balance Sheets.
(3) Included in "Other accrued expenses and current liabilities" in the accompanying Condensed Consolidated Balance Sheets.
(4) Included in "Other long-term liabilities" in the accompanying Condensed Consolidated Balance Sheets.

The following tables present the effect of the Company's derivative instruments included in the accompanying Condensed Consolidated Financial Statements for the three months ended September 30, 2017 and 2016 (in thousands):

	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)		Gain (Loss) Reclassified From AOCI Into "Revenues" (Effective Portion)		Gain (Loss) Recognized in "Revenues" on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	September 30,		September 30,		September 30,	
	2017	2016	2017	2016	2017	2016
Derivatives designated as cash flow hedging instruments under ASC 815:						
Foreign currency forward and option contracts	**$ 585**	$ (1,274)	**$ (766)**	$ 127	**$ -**	$ -
Derivatives designated as net investment hedging instruments under ASC 815:						
Foreign currency forward contracts	**(2,979)**	(979)	**-**	-	**-**	-
	$ (2,394)	$ (2,253)	**$ (766)**	$ 127	**$ -**	$ -

	Gain (Loss) Recognized in "Other income (expense), net" on Derivatives	
	Three Months Ended September 30,	
	2017	2016
Derivatives not designated as hedging instruments under ASC 815:		
Foreign currency forward contracts	**$ (252)**	$ 240
Embedded derivatives	**(193)**	(130)
	$ (445)	$ 110

The following tables present the effect of the Company's derivative instruments included in the accompanying Condensed Consolidated Financial Statements for the nine months ended September 30, 2017 and 2016 (in thousands):

	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)		Gain (Loss) Reclassified From AOCI Into "Revenues" (Effective Portion)		Gain (Loss) Recognized in "Revenues" on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	September 30,		September 30,		September 30,	
	2017	2016	2017	2016	2017	2016
Derivatives designated as cash flow hedging instruments under ASC 815:						
Foreign currency forward and option contracts	**$ (881)**	$ (843)	**$ (2,346)**	$ 77	$ -	$ -
Derivatives designated as net investment hedging instruments under ASC 815:						
Foreign currency forward contracts	**(8,352)**	(1,677)	-	-	-	-
	$ (9,233)	$ (2,520)	**$ (2,346)**	$ 77	**$ -**	$ -

	Gain (Loss) Recognized in "Other income (expense), net" on Derivatives	
	Nine Months Ended September 30,	
	2017	2016
Derivatives not designated as hedging instruments under ASC 815:		
Foreign currency forward contracts	**$ (170)**	$ 1,610
Embedded derivatives	**122**	(176)
	$ (48)	$ 1,434

Note 7. Investments Held in Rabbi Trust

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

	September 30, 2017		December 31, 2016	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	$ 8,017	$ 11,276	$ 7,257	$ 9,414

The mutual funds held in rabbi trust were 70% equity-based and 30% debt-based as of September 30, 2017. Net investment income (losses), included in "Other income (expense), net" in the accompanying Condensed Consolidated Statements of Operations consists of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net realized gains (losses) from sale of trading securities	$ 13	$ -	$ 162	$ -
Dividend and interest income	28	7	67	26
Net unrealized holding gains (losses)	401	317	943	471
Net investment income (losses)	$ 442	$ 324	$ 1,172	$ 497

Note 8. Deferred Revenue

Deferred revenue consists of the following (in thousands):

	September 30, 2017	December 31, 2016
Future service	$ 30,949	$ 27,116
Estimated potential penalties and holdbacks	6,879	6,593
Estimated chargebacks	5,502	5,027
	$ 43,330	$ 38,736

Note 9. Deferred Grants

Deferred grants, net of accumulated amortization, consist of the following (in thousands):

	September 30, 2017	December 31, 2016
Property grants	$ 2,970	$ 3,353
Lease grants	525	502
Employment grants	45	67
Total deferred grants	3,540	3,922
Less: Lease grants - short-term (1)	(114)	(94)
Less: Employment grants - short-term (1)	(45)	(67)
Total long-term deferred grants	$ 3,381	$ 3,761

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

Note 10. Borrowings

On May 12, 2015, the Company entered into a $440 million revolving credit facility (the "2015 Credit Agreement") with a group of lenders and KeyBank National Association, as Lead Arranger, Sole Book Runner, Administrative Agent, Swing Line Lender and Issuing Lender ("KeyBank"). The 2015 Credit Agreement is subject to certain borrowing limitations and includes certain customary financial and restrictive covenants.

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

The 2015 Credit Agreement matures on May 12, 2020, and had outstanding borrowings of $267.0 million at both September 30, 2017 and December 31, 2016, included in "Long-term debt" in the accompanying Condensed Consolidated Balance Sheets.

On April 1, 2016, the Company borrowed $216.0 million under its 2015 Credit Agreement in connection with the acquisition of Clearlink.

Borrowings under the 2015 Credit Agreement bear interest at the rates set forth in the 2015 Credit Agreement. In addition, the Company is required to pay certain customary fees, including a commitment fee determined quarterly based on the Company's leverage ratio and due quarterly in arrears as calculated on the average unused amount of the 2015 Credit Agreement.

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Average daily utilization	**$ 267,000**	$ 272,000	**$ 267,000**	$ 207,161
Interest expense, including commitment fee [(1)]	**$ 1,772**	$ 1,171	**$ 4,815**	$ 2,625
Weighted average interest rate [(2)]	**2.6%**	1.7%	**2.4%**	1.8%

[(1)] Excludes the amortization of deferred loan fees.
[(2)] Includes the commitment fee.

Note 11. Accumulated Other Comprehensive Income (Loss)

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

	Foreign Currency Translation Gain (Loss)	Unrealized Gain (Loss) on Net Investment Hedge	Unrealized Actuarial Gain (Loss) Related to Pension Liability	Unrealized Gain (Loss) on Cash Flow Hedging Instruments	Unrealized Gain (Loss) on Post Retirement Obligation	Total
Balance at January 1, 2016	$ (58,601)	$ 4,170	$ 1,029	$ (527)	$ 267	$ (53,662)
Pre-tax amount	(13,832)	3,409	212	(2,313)	(9)	(12,533)
Tax (provision) benefit	-	(1,313)	(8)	72	-	(1,249)
Reclassification of (gain) loss to net income	-	-	(52)	527	(58)	417
Foreign currency translation	40	-	(56)	16	-	-
Balance at December 31, 2016	(72,393)	6,266	1,125	(2,225)	200	(67,027)
Pre-tax amount	**31,922**	**(8,352)**	**-**	**(881)**	**(1)**	**22,688**
Tax (provision) benefit	**-**	**3,132**	**-**	**15**	**-**	**3,147**
Reclassification of (gain) loss to net income	**-**	**-**	**(31)**	**2,263**	**(37)**	**2,195**
Foreign currency translation	**(38)**	**-**	**(27)**	**65**	**-**	**-**
Balance at September 30, 2017	**$ (40,509)**	**$ 1,046**	**$ 1,067**	**$ (763)**	**$ 162**	**$ (38,997)**

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

	Three Months Ended September 30,		Nine Months Ended September 30,		Statements of Operations
	2017	2016	2017	2016	Location
Actuarial Gain (Loss) Related to Pension Liability: (1)					
Pre-tax amount	**$ 10**	$ 10	**$ 31**	$ 32	Direct salaries and related costs
Tax (provision) benefit	**-**	-	**-**	-	Income taxes
Reclassification to net income	**10**	10	**31**	32	
Gain (Loss) on Cash Flow Hedging Instruments: (2)					
Pre-tax amount	**(766)**	127	**(2,346)**	77	Revenues
Tax (provision) benefit	**25**	(17)	**83**	5	Income taxes
Reclassification to net income	**(741)**	110	**(2,263)**	82	
Gain (Loss) on Post Retirement Obligation: (1),(3)					
Reclassification to net income	**12**	13	**37**	40	General and administrative
Total reclassification of gain (loss) to net income	**$ (719)**	$ 133	**$ (2,195)**	$ 154	

(1) See Note 15, Defined Benefit Pension Plan and Postretirement Benefits, for further information.
(2) See Note 6, Financial Derivatives, for further information.
(3) No related tax (provision) benefit.

As discussed in Note 12, Income Taxes, earnings associated with the Company's investments in its foreign subsidiaries are considered to be indefinitely reinvested and no provision for income taxes on those earnings or translation adjustments have been provided.

Note 12. Income Taxes

The Company’s effective tax rate was 11.2% and 27.2% for the three months ended September 30, 2017 and 2016, respectively. The decrease in the effective tax rates is due to several significant factors, including the recognition of a $0.8 million previously unrecognized tax benefit, inclusive of penalties and interest, arising from a favorable tax audit settlement and statute of limitation expirations. Additionally, the Company recognized a $0.8 million benefit related to the increase in anticipated tax credits and reductions in estimated non-deferred foreign income, as well as a $0.3 million benefit for the release of a valuation allowance where it is more likely than not that the benefit will be realized. The decrease in the effective tax rate was also significantly affected by shifts in earnings among the various jurisdictions in which the Company operates. Several additional factors, none of which are individually material, also impacted the rate. The difference between the Company’s effective tax rate as compared to the U.S. statutory federal income tax rate of 35.0% was primarily due to the aforementioned factors as well as the recognition of tax benefits resulting from foreign tax rate differentials, income earned in certain tax holiday jurisdictions and tax credits, partially offset by the tax impact of permanent differences and foreign withholding taxes.

The Company’s effective tax rate was 18.1% and 28.9% for the nine months ended September 30, 2017 and 2016, respectively. The decrease in the effective tax rates is due to several significant factors, including the recognition of $2.0 million of previously unrecognized tax benefits, inclusive of penalties and interest, of which $1.2 million arose from the effective settlement of the Canadian Revenue Agency audit and $0.8 million arose from other favorable audit settlements and statute of limitation expirations. Additionally, the Company recognized a $0.8 million benefit related to the increase in anticipated tax credits and reductions in estimated non-deferred foreign income, as well as a $0.3 million benefit for the release of a valuation allowance where it is more likely than not that the benefit will be realized. The Company also recognized a $0.9 million tax benefit resulting from the adoption of ASU 2016-09 on January 1, 2017. The decrease in the effective tax rate was also significantly affected by shifts in earnings among the various jurisdictions in which the Company operates. Several additional factors, none of which are individually material, also impacted the rate. The difference between the Company’s effective tax rate as compared to the U.S. statutory federal income tax rate of 35.0% was primarily due to the aforementioned factors as well as the recognition of tax benefits resulting from foreign tax rate differentials, income earned in certain tax holiday jurisdictions and tax credits, partially offset by the tax impact of permanent differences and foreign withholding taxes.

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

The Company received assessments for the Canadian 2003-2009 audit. Requests for Competent Authority Assistance were filed with both the Canadian Revenue Agency and the U.S. Internal Revenue Service and the Company paid mandatory security deposits to Canada as part of this process. The total amount of the deposits was $13.8 million as of December 31, 2016 (none at September 30, 2017) and was included in “Deferred charges and other assets” in the accompanying Condensed Consolidated Balance Sheet. As of June 30, 2017, the Company determined that all material aspects of the Canadian audit were effectively settled pursuant to ASC 740. As a result, the Company recognized a net income tax benefit of $1.2 million and the deposits were applied against the anticipated liability.

With the effective settlement of the Canadian audit, the Company has no significant tax jurisdictions under audit; however, the Company is currently under audit in several tax jurisdictions. The Company believes it is adequately reserved for the remaining audits and their resolution is not expected to have a material impact on its financial condition and results of operations.

Note 13. Earnings Per Share

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Basic:				
Weighted average common shares outstanding	**41,879**	41,938	**41,800**	41,873
Diluted:				
Dilutive effect of stock appreciation rights, restricted stock, restricted stock units and shares held in rabbi trust	**154**	286	**206**	360
Total weighted average diluted shares outstanding	**42,033**	42,224	**42,006**	42,233
Anti-dilutive shares excluded from the diluted earnings per share calculation	**14**	23	**16**	22

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

The shares repurchased under the Company's share repurchase program were as follows (in thousands, except per share amounts) (none in 2017):

	Total Number of Shares Repurchased	Range of Prices Paid Per Share		Total Cost of Shares Repurchased
		Low	High	
Three Months Ended:				
September 30, 2016	140	$ 29.27	$ 30.00	$ 4,117
Nine Months Ended:				
September 30, 2016	140	$ 29.27	$ 30.00	$ 4,117

Note 14. Commitments and Loss Contingency

Commitments

During the nine months ended September 30, 2017, 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 September 30, 2017, including the impact of the leases assumed in connection with the Telecommunications Asset acquisition (in thousands):

		Amount
2017 (remaining three months)	$	1,560
2018		7,645
2019		7,271
2020		7,474
2021		7,631
2022		6,940
2023 and thereafter		18,437
Total minimum payments required	$	56,958

During the nine months ended September 30, 2017, 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 generally are not cancelable, range from one to five year periods and may contain fixed or minimum annual commitments. Certain of these agreements allow for renegotiation of the minimum annual commitments. The following is a schedule of the future minimum purchases remaining under the agreements as of September 30, 2017 (in thousands):

		Amount
2017 (remaining three months)	$	6,646
2018		20,021
2019		12,994
2020		5,727
2021		-
2022		-
2023 and thereafter		-
Total minimum payments required	$	45,388

The July 2015 Qelp acquisition included contingent consideration of $6.0 million, based on achieving targets tied to revenues and EBITDA for the years ended December 31, 2016, 2017 and 2018. On September 26, 2016, the Company entered into an addendum to the Qelp purchase agreement with the sellers to settle the outstanding contingent consideration for EUR 4.0 million to be paid by June 30, 2017. The Company paid $4.4 million in May 2017 to settle the outstanding contingent consideration obligation.

As part of the April 2016 Clearlink acquisition, the Company assumed contingent consideration liabilities related to four separate acquisitions made by Clearlink in 2015 and 2016, prior to the Merger. The fair value of the contingent consideration related to these previous acquisitions was $2.8 million as of April 1, 2016 and was based on achieving targets primarily tied to revenues for varying periods of time during 2016 and 2017. As of September 30, 2017, the fair value of the remaining contingent consideration was $1.0 million, which was paid in October 2017.

Loss Contingency

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

Note 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 September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Service cost	**$ 118**	$ 112	**$ 371**	$ 350
Interest cost	**46**	42	**144**	131
Recognized actuarial (gains)	**(10)**	(10)	**(31)**	(32)
Net periodic benefit cost	**$ 154**	$ 144	**$ 484**	$ 449

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 September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
401(k) plan contributions	**$ 484**	$ 260	**$ 1,104**	$ 879

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):

	September 30, 2017	**December 31, 2016**
Postretirement benefit obligation	**$ 19**	$ 27
Unrealized gains (losses) in AOCI (1)	**162**	200

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

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 September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Stock-based compensation reversal (expense) [1]	**$ 303**	$ (2,107)	**$ (4,429)**	$ (7,836)
Income tax benefit (expense) [2]	**(161)**	840	**1,661**	3,017
Excess tax benefit (deficiency) from stock-based compensation [3]	**-**	5	**-**	2,065

[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 September 30, 2017 and December 31, 2016.

Beginning January 1, 2017, as a result of the adoption of ASU 2016-09, the Company began accounting for forfeitures as they occur, rather than estimating expected forfeitures. The net cumulative effect of this change was recognized as a $0.2 million reduction to retained earnings as of January 1, 2017. Additionally, excess tax benefits (deficiencies) from stock compensation are included in "Income taxes" in the accompanying Condensed Consolidated Statements of Income subsequent to the adoption of ASU 2016-09.

2011 Equity Incentive Plan — The Company's Board of Directors (the "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 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:

	Nine Months Ended September 30,	
	2017	**2016**
Expected volatility	**19.3%**	25.3%
Weighted-average volatility	**19.3%**	25.3%
Expected dividend rate	**0.0%**	0.0%
Expected term (in years)	**5.0**	5.0
Risk-free rate	**1.9%**	1.5%

The following table summarizes SARs activity as of September 30, 2017 and for the nine 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, 2017	633	$ -		
Granted	396	$ -		
Exercised	(196)	$ -		
Forfeited or expired	(70)	$ -		
Outstanding at September 30, 2017	**763**	**$ -**	**8.6**	**$ 915**
Vested or expected to vest at September 30, 2017	**763**	**$ -**	**8.6**	**$ 915**
Exercisable at September 30, 2017	**163**	**$ -**	**7.0**	**$ 658**

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

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Number of SARs granted	**396**	323
Weighted average grant-date fair value per SAR	**$ 6.24**	$ 7.68
Intrinsic value of SARs exercised	**$ 1,678**	$ 1,691
Fair value of SARs vested	**$ 1,846**	$ 1,520

The following table summarizes nonvested SARs activity as of September 30, 2017 and for the nine months then ended:

Nonvested Stock Appreciation Rights	Shares (000s)	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2017	515	$ 7.76
Granted	396	$ 6.24
Vested	(241)	$ 7.69
Forfeited or expired	(70)	$ 6.93
Nonvested at September 30, 2017	**600**	**$ 6.88**

As of September 30, 2017, there was $3.1 million of total unrecognized compensation cost, net of actual forfeitures, related to nonvested SARs granted under the 2011 Plan. This cost is expected to be recognized over a weighted average period of 1.4 years.

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

The following table summarizes nonvested restricted shares/RSUs activity as of September 30, 2017 and for the nine months then ended:

Nonvested Restricted Shares and RSUs	Shares (000s)	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2017	1,136	$ 25.47
Granted	480	$ 29.42
Vested	(328)	$ 20.95
Forfeited or expired	(179)	$ 25.62
Nonvested at September 30, 2017	**1,109**	**$ 28.50**

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

	Nine Months Ended September 30,	
	2017	2016
Number of restricted shares/RSUs granted	**480**	451
Weighted average grant-date fair value per restricted share/RSU	**$ 29.42**	$ 30.32
Fair value of restricted shares/RSUs vested	**$ 6,868**	$ 6,785

As of September 30, 2017, there was $25.0 million of total unrecognized compensation cost, net of actual 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 1.8 years.

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

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

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

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

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

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

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

The Board may pay additional cash compensation to any non-employee director for services on behalf of the Board over and above those typically expected of directors, including but not limited to service on a special committee of the Board. Directors who are executive officers of the Company receive no compensation for service as members of either the Board of Directors or any committees of the Board.

The following table summarizes nonvested common stock share award activity as of September 30, 2017 and for the nine months then ended:

Nonvested Common Stock Share Awards	**Shares (000s)**		**Weighted Average Grant-Date Fair Value**
Nonvested at January 1, 2017	10	$	28.69
Granted	24	$	32.93
Vested	(20)	$	31.14
Forfeited or expired	-	$	-
Nonvested at September 30, 2017	**14**	**$**	**32.45**

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

	Nine Months Ended September 30,			
		2017		**2016**
Number of share awards granted		**24**		32
Weighted average grant-date fair value per share award	**$**	**32.93**	$	29.04
Fair value of share awards vested	**$**	**640**	$	630

As of September 30, 2017, there was $0.4 million of total unrecognized compensation cost, net of actual 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 less than one year.

Deferred Compensation Plan — The Company's non-qualified Deferred Compensation Plan (the "Deferred Compensation Plan"), which is not shareholder-approved, was adopted by the Board effective December 17, 1998. It was last amended and restated on December 9, 2015, effective as of January 1, 2016, and was subsequently amended on May 18, 2016, effective as of June 30, 2016, August 17, 2016, effective as of January 1, 2017, May 25, 2017, effective as of July 1, 2017 and August 15, 2017, effective January 1, 2018. Eligibility is limited to a select group of key management and employees who are expected to receive an annualized base salary (which will not take into account bonuses or commissions) that exceeds the amount taken into account for purposes of determining highly compensated employees under Section 414(q) of the Internal Revenue Code of 1986 based on the current year's base salary and applicable dollar amounts. The Deferred Compensation Plan provides participants with the ability to defer between 1% and 80% of their compensation (between 1% and 100% prior to June 30, 2016, the effective date of the first amendment) until the participant's retirement, termination, disability or death, or a change in control of the Company. Using the Company's common stock, the Company matches 50% of the amounts deferred by participants on a quarterly basis up to a total of $12,000 per year for the president, chief executive officer and executive vice presidents, $7,500 per year for senior vice presidents, global vice presidents and vice presidents, and, effective January 1, 2017, $5,000 per year for all other participants (there was no match for other participants prior to January 1, 2017, the effective date of the second amendment). Matching contributions and the associated earnings vest over a seven-year service period. Vesting will be accelerated in the event of the participant's death or disability, a change in control or retirement (defined as separate from service after age 65). In the event of a distribution of benefits as a result of a change in control of the Company, the Company will increase the benefit by an amount sufficient to offset the income tax obligations created by the distribution of benefits. Deferred compensation amounts used to pay benefits, which are held in a rabbi trust, include investments in various mutual funds and shares of the Company's common stock (see Note 7, Investments Held in Rabbi Trust).

As of September 30, 2017 and December 31, 2016, liabilities of $11.3 million and $9.4 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 $2.1 million and $1.8 million as of September 30, 2017 and December 31, 2016, respectively, is included in "Treasury stock" in the accompanying Condensed Consolidated Balance Sheets.

The following table summarizes nonvested common stock activity as of September 30, 2017 and for the nine months then ended:

Nonvested Common Stock	**Shares (000s)**	**Weighted Average Grant-Date Fair Value**
Nonvested at January 1, 2017	2	$ 22.77
Granted	12	$ 30.39
Vested	(10)	$ 29.42
Forfeited or expired	(1)	$ 29.81
Nonvested at September 30, 2017	**3**	**$ 29.18**

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

	Nine Months Ended September 30,	
	2017	**2016**
Number of shares of common stock granted	**12**	8
Weighted average grant-date fair value per common stock	**$ 30.39**	$ 29.39
Fair value of common stock vested	**$ 310**	$ 241
Cash used to settle the obligation	**$ 590**	$ 359

As of September 30, 2017, there was $0.1 million of total unrecognized compensation cost, net of actual 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 3.7 years.

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

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

	Americas	EMEA	Other [1]	Consolidated
Three Months Ended September 30, 2017:				
Revenues	**$ 341,334**	**$ 65,957**	**$ 18**	**$ 407,309**
Percentage of revenues	**83.8%**	**16.2%**	**0.0%**	**100.0%**
Depreciation, net	**$ 12,064**	**$ 1,375**	**$ 788**	**$ 14,227**
Amortization of intangibles	**$ 5,081**	**$ 212**	**$ -**	**$ 5,293**
Income (loss) from operations	**$ 35,896**	**$ 4,523**	**$ (14,190)**	**$ 26,229**
Total other income (expense), net			**(1,788)**	**(1,788)**
Income taxes			**(2,746)**	**(2,746)**
Net income				**$ 21,695**
Three Months Ended September 30, 2016:				
Revenues	$ 326,013	$ 59,711	$ 19	$ 385,743
Percentage of revenues	84.5%	15.5%	0.0%	100.0%
Depreciation, net	$ 11,364	$ 1,124	$ 516	$ 13,004
Amortization of intangibles	$ 4,990	$ 264	$ -	$ 5,254
Income (loss) from operations	$ 36,946	$ 7,391	$ (14,666)	$ 29,671
Total other income (expense), net			(462)	(462)
Income taxes			(7,939)	(7,939)
Net income				$ 21,270
Nine Months Ended September 30, 2017:				
Revenues	**$ 977,136**	**$ 189,564**	**$ 61**	**$ 1,166,761**
Percentage of revenues	**83.8%**	**16.2%**	**0.0%**	**100.0%**
Depreciation, net	**$ 35,374**	**$ 3,815**	**$ 2,206**	**$ 41,395**
Amortization of intangibles	**$ 15,048**	**$ 726**	**$ -**	**$ 15,774**
Income (loss) from operations	**$ 99,918**	**$ 12,266**	**$ (48,651)**	**$ 63,533**
Total other income (expense), net			**(3,370)**	**(3,370)**
Income taxes			**(10,911)**	**(10,911)**
Net income				**$ 49,252**
Nine Months Ended September 30, 2016:				
Revenues	$ 893,300	$ 177,488	$ 103	$ 1,070,891
Percentage of revenues	83.4%	16.6%	0.0%	100.0%
Depreciation, net	$ 30,856	$ 3,450	$ 1,442	$ 35,748
Amortization of intangibles	$ 13,353	$ 791	$ -	$ 14,144
Income (loss) from operations	$ 100,658	$ 13,697	$ (51,012)	$ 63,343
Total other income (expense), net			(937)	(937)
Income taxes			(18,044)	(18,044)
Net income				$ 44,362

[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 nine months ended September 30, 2017 and 2016. Inter-segment revenues are not material to the Americas and EMEA segment results.

The Company's reportable segments are evaluated regularly by its chief operating decision maker to decide how to allocate resources and assess performance. The chief operating decision maker evaluates performance based upon reportable segment revenue and income (loss) from operations. Because assets by segment are not reported to or used by the Company's chief operating decision maker to allocate resources, or to assess performance, total assets by segment are not disclosed.

Note 18. Other Income (Expense)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Foreign currency transaction gains (losses)	**$ (77)**	$ 778	**$ 567**	$ 3,534
Gains (losses) on derivative instruments not designated as hedges	**(445)**	(110)	**(48)**	(1,434)
Other miscellaneous income (expense)	**586**	313	**1,228**	501
	$ 64	$ 981	**$ 1,747**	$ 2,601

Note 19. Related Party Transactions

In January 2008, the Company entered into a lease for a customer engagement center located in Kingstree, South Carolina. The landlord, Kingstree Office One, LLC, is an entity controlled by John H. Sykes, the founder, former Chairman and Chief Executive Officer of the Company and the father of Charles Sykes, President and Chief Executive Officer of the Company. The lease payments on the 20-year lease were negotiated at or below market rates, and the lease is cancellable at the option of the Company. There are penalties for early cancellation which decrease over time. The Company paid $0.1 million to the landlord during both the three months ended September 30, 2017 and 2016, and $0.3 million during both the nine months ended September 30, 2017 and 2016 under the terms of the lease.

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 September 30, 2017, and the related condensed consolidated statements of operations, and comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2017 and 2016, of changes in shareholders' equity for the nine-month period ended September 30, 2017, and of cash flows for the nine-month periods ended September 30, 2017 and 2016. 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, 2016, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 1, 2017, 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, 2016 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

Tampa, Florida
November 9, 2017

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, 2016, 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 engagement 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 engagement 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 the trend toward outsourcing, (xxii) risk of interruption of technical and customer engagement 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 inbound customer engagement solutions and services to Global 2000 companies, primarily in the communications, financial services, healthcare, technology, transportation and leisure, retail and other industries. We serve our clients through two geographic operating regions: the Americas (United States, Canada, Latin America, Australia and the Asia Pacific Rim) and EMEA (Europe, the Middle East and Africa). Our Americas and EMEA regions primarily provide customer engagement services (with an emphasis on inbound technical support, digital marketing and demand generation, and customer service), which includes customer assistance, healthcare and roadside assistance, technical support, and product and service sales to our clients' customers. These services, which represented 99.5% and 99.1% of consolidated revenues during the three months ended September 30, 2017 and 2016, respectively, and 99.5% and 99.1% of consolidated revenues during the nine months ended September 30, 2017 and 2016, respectively, are delivered through multiple communication channels including phone, e-mail, social media, text messaging, chat and digital self-service. We also provide various enterprise support services in the United States ("U.S.") that include services for our clients' internal support operations, from technical staffing services to outsourced corporate help desk services. In Europe, we also provide fulfillment services, which includes order processing, payment processing, inventory control, product delivery, and product returns handling. Our complete service offering helps our clients acquire, retain and increase the lifetime value of their customer relationships. We have developed an extensive global reach with customer engagement centers across six continents, including North America, South America, Europe, Asia, Australia and Africa. We deliver cost-effective solutions that enhance the customer service experience, promote stronger brand loyalty, and bring about high levels of performance and profitability.

Acquisition of Telecommunications Assets

On May 31, 2017, we completed the acquisition of certain assets of a Global 2000 telecommunications service provider (the "Telecommunications Asset acquisition") to strengthen and create new partnerships and expand our geographic footprint in North America. The total purchase price of $7.5 million was funded through cash on hand. The results of operations of the Telecommunications Asset acquisition have been reflected in the accompanying Condensed Consolidated Statements of Operations since May 31, 2017.

Acquisition of Clearlink

In April 2016, we completed the acquisition of Clear Link Holdings LLC ("Clearlink"), to expand our suite of service offerings while creating differentiation in the marketplace, broadening our addressable market opportunity and extending executive level reach within our existing clients' organizations. We refer to such acquisition herein as the "Clearlink acquisition." The total purchase price of $207.9 million was funded by borrowings under our existing credit facility. The results of operations of Clearlink have been reflected in the accompanying Condensed Consolidated Statements of Operations since April 1, 2016.

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 change between the respective periods:

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
(in thousands)	**2017**	**2016**	**2017 $ Change**	**2017**	**2016**	**2017 $ Change**
Revenues	**$ 407,309**	$ 385,743	$ 21,566	**$ 1,166,761**	$ 1,070,891	$ 95,870
Operating expenses:						
Direct salaries and related costs	**267,516**	249,859	17,657	**763,324**	694,856	68,468
General and administrative	**93,364**	87,955	5,409	**277,664**	262,800	14,864
Depreciation, net	**14,227**	13,004	1,223	**41,395**	35,748	5,647
Amortization of intangibles	**5,293**	5,254	39	**15,774**	14,144	1,630
Impairment of long-lived assets	**680**	-	680	**5,071**	-	5,071
Total operating expenses	**381,080**	356,072	25,008	**1,103,228**	1,007,548	95,680
Income from operations	**26,229**	29,671	(3,442)	**63,533**	63,343	190
Other income (expense):						
Interest income	**169**	135	34	**468**	429	39
Interest (expense)	**(2,021)**	(1,578)	(443)	**(5,585)**	(3,967)	(1,618)
Other income (expense), net	**64**	981	(917)	**1,747**	2,601	(854)
Total other income (expense), net	**(1,788)**	(462)	(1,326)	**(3,370)**	(937)	(2,433)
Income before income taxes	**24,441**	29,209	(4,768)	**60,163**	62,406	(2,243)
Income taxes	**2,746**	7,939	(5,193)	**10,911**	18,044	(7,133)
Net income	**$ 21,695**	$ 21,270	$ 425	**$ 49,252**	$ 44,362	$ 4,890

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Revenues

	Three Months Ended September 30,				
	2017		2016		
(in thousands)	Amount	% of Revenues	Amount	% of Revenues	$ Change
Americas	**$ 341,334**	**83.8%**	$ 326,013	84.5%	$ 15,321
EMEA	**65,957**	**16.2%**	59,711	15.5%	6,246
Other	**18**	**0.0%**	19	0.0%	(1)
Consolidated	**$ 407,309**	**100.0%**	$ 385,743	100.0%	$ 21,566

Consolidated revenues increased $21.6 million, or 5.6%, for the three months ended September 30, 2017 from the comparable period in 2016.

The increase in Americas' revenues was due to new clients of $23.4 million and higher volumes from existing clients of $0.2 million, partially offset by end-of-life client programs of $8.3 million. Revenues from our offshore operations represented 40.6% of Americas' revenues, compared to 40.0% for the comparable period in 2016.

The increase in EMEA's revenues was due to higher volumes from existing clients of $2.8 million, new clients of $2.7 million and a positive foreign currency impact of $1.6 million, partially offset by end-of-life client programs of $0.9 million.

On a consolidated basis, we had 52,400 brick-and-mortar seats as of September 30, 2017, an increase of 5,000 seats from the comparable period in 2016. Included in this seat count are 2,900 seats associated with the Telecommunications Asset acquisition. This increase in seats, net of the Telecommunications Asset acquisition additions, reflect seat additions to support higher projected demand. The capacity utilization rate on a combined basis was 71% compared to 75% in the comparable period in 2016. This decrease was primarily due to capacity additions related to the Telecommunications Asset acquisition with its seasonally low utilization rate, as well as capacity additions owing to higher projected demand and certain operational inefficiencies.

On a geographic segment basis, 45,200 seats were located in the Americas, an increase of 4,300 seats from the comparable period in 2016, and 7,200 seats were located in EMEA, an increase of 700 seats from the comparable period in 2016. Capacity utilization rates as of September 30, 2017 were 70% for the Americas and 80% for EMEA, compared to 75% and 78%, respectively, in the comparable period in 2016, with the decrease in utilization in the Americas primarily due to the aforementioned factors. As a result of the Telecommunications Asset acquisition, we expect to take further actions in streamlining our capacity footprint in the U.S. We strive to attain a capacity utilization rate of 85% at each of our locations.

Direct Salaries and Related Costs

	Three Months Ended September 30,					
	2017		2016			
(in thousands)	Amount	% of Revenues	Amount	% of Revenues	$ Change	Change in % of Revenues
Americas	**$ 221,392**	**64.9%**	$ 208,664	64.0%	$ 12,728	0.9%
EMEA	**46,124**	**69.9%**	41,195	69.0%	4,929	0.9%
Consolidated	**$ 267,516**	**65.7%**	$ 249,859	64.8%	$ 17,657	0.9%

The increase of $17.7 million in direct salaries and related costs included a positive foreign currency impact of $2.3 million in the Americas and a negative foreign currency impact of $1.4 million in EMEA.

The increase in Americas' direct salaries and related costs, as a percentage of revenues, was primarily attributable to higher compensation costs of 1.7% driven by a decrease in agent productivity principally within the financial services and communications verticals in the current period, partially offset by lower communications costs of 0.3%, lower customer-acquisition advertising costs of 0.3% and lower other costs of 0.2%.

The increase in EMEA's direct salaries and related costs, as a percentage of revenues, was primarily attributable to higher compensation costs of 1.7% driven by a decrease in agent productivity principally within the communications and technology verticals in the current period, higher rebillable costs of 0.3%, higher recruiting costs of 0.2% and higher other costs of 0.3%, partially offset by lower fulfillment materials costs of 1.6%.

General and Administrative

	Three Months Ended September 30,					
	2017		2016			
(in thousands)	Amount	% of Revenues	Amount	% of Revenues	$ Change	Change in % of Revenues
Americas	**$ 66,221**	**19.4%**	$ 64,049	19.6%	$ 2,172	-0.2%
EMEA	**13,723**	**20.8%**	9,737	16.3%	3,986	4.5%
Other	**13,420**	**-**	14,169	-	(749)	-
Consolidated	**$ 93,364**	**22.9%**	$ 87,955	22.8%	$ 5,409	0.1%

The increase of $5.4 million in general and administrative expenses included a positive foreign currency impact of $0.7 million in the Americas and a negative foreign currency impact of $0.2 million in EMEA.

The decrease in Americas' general and administrative expenses, as a percentage of revenues, was primarily attributable to lower technology equipment and maintenance costs of 0.3% and a reduction in technology costs of 0.2% allocated from corporate, partially offset by higher software and maintenance costs of 0.2% and higher other costs of 0.1%.

The increase in EMEA's general and administrative expenses, as a percentage of revenues, was primarily attributable to a gain on settlement of Qelp's contingent consideration of 4.3% in the prior period and higher facility-related costs of 0.2%.

The decrease of $0.7 million in Other general and administrative expenses, which includes corporate and other costs, was primarily attributable to lower compensation costs of $2.6 million, partially offset by higher severance costs of $0.8 million, a reduction in technology costs of $0.5 million allocated to the Americas, higher legal and professional fees of $0.4 million and higher charitable contributions of $0.2 million.

Depreciation, Amortization and Impairment of Long-Lived Assets

	Three Months Ended September 30,					
	2017		2016			
(in thousands)	Amount	% of Revenues	Amount	% of Revenues	$ Change	Change in % of Revenues
Depreciation, net:						
Americas	**$ 12,064**	**3.5%**	$ 11,364	3.5%	$ 700	0.0%
EMEA	**1,375**	**2.1%**	1,124	1.9%	251	0.2%
Other	**788**	**-**	516	-	272	-
Consolidated	**$ 14,227**	**3.5%**	$ 13,004	3.4%	$ 1,223	0.1%
Amortization of intangibles:						
Americas	**$ 5,081**	**1.5%**	$ 4,990	1.5%	$ 91	0.0%
EMEA	**212**	**0.3%**	264	0.4%	(52)	-0.1%
Other	**-**	**-**	-	-	-	-
Consolidated	**$ 5,293**	**1.3%**	$ 5,254	1.4%	$ 39	-0.1%
Impairment of long-lived assets:						
Americas	**$ 680**	**0.2%**	$ -	0.0%	$ 680	0.2%
EMEA	**-**	**0.0%**	-	0.0%	-	0.0%
Other	**-**	**-**	-	-	-	-
Consolidated	**$ 680**	**0.2%**	$ -	0.0%	$ 680	0.2%

The increase in depreciation was primarily due to new depreciable fixed assets placed into service supporting site expansions and infrastructure upgrades, partially offset by certain fully depreciated fixed assets.

The amortization remained consistent with the comparable period.

See Note 4, Fair Value, of the "Notes to Consolidated Financial Statements" for further information regarding the impairment of long-lived assets.

Other Income (Expense)

(in thousands)	Three Months Ended September 30, 2017	2016	$ Change
Interest income	**$ 169**	$ 135	$ 34
Interest (expense)	**$ (2,021)**	$ (1,578)	$ (443)
Other income (expense), net:			
Foreign currency transaction gains (losses)	**$ (77)**	$ 778	$ (855)
Gains (losses) on foreign currency derivative instruments not designated as hedges	**(445)**	(110)	(335)
Other miscellaneous income (expense)	**586**	313	273
Total other income (expense), net	**$ 64**	$ 981	$ (917)

Interest income remained consistent with the comparable period.

The increase in interest (expense) was primarily due to an increase in weighted average interest rates on outstanding borrowings, partially offset by a decrease in the interest accretion on contingent consideration.

Income Taxes

(in thousands)	Three Months Ended September 30, 2017	2016	$ Change
Income before income taxes	**$ 24,441**	$ 29,209	$ (4,768)
Income taxes	**2,746**	7,939	$ (5,193)
			% Change
Effective tax rate	**11.2%**	27.2%	-16.0%

The decrease in the effective tax rate in 2017 compared to 2016 is due to several significant factors, including the recognition of a $0.8 million previously unrecognized tax benefit, inclusive of penalties and interest, arising from a favorable tax audit settlement and statute of limitation expirations. Additionally, we recognized a $0.8 million benefit related to the increase in anticipated tax credits and reductions in estimated non-deferred foreign income, as well as a $0.3 million benefit for the release of a valuation allowance where it is more likely than not that the benefit will be realized. The decrease in the effective tax rate was also significantly affected by shifts in earnings among the various jurisdictions in which we operate. Several additional factors, none of which are individually material, also impacted the rate.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Revenues

	Nine Months Ended September 30, 2017		2016		
(in thousands)	Amount	% of Revenues	Amount	% of Revenues	$ Change
Americas	**$ 977,136**	**83.8%**	$ 893,300	83.4%	$ 83,836
EMEA	**189,564**	**16.2%**	177,488	16.6%	12,076
Other	**61**	**0.0%**	103	0.0%	(42)
Consolidated	**$ 1,166,761**	**100.0%**	$ 1,070,891	100.0%	$ 95,870

Consolidated revenues increased $95.9 million, or 9.0%, for the nine months ended September 30, 2017 from the comparable period in 2016.

The increase in Americas' revenues was due to an increase in Clearlink acquisition revenues of $43.1 million, higher volumes from existing clients of $39.1 million and new clients of $37.7 million, partially offset by end-of-life client programs of $33.0 million and a negative foreign currency impact of $3.1 million. Revenues from our offshore operations represented 40.9% of Americas' revenues, compared to 41.8% for the comparable period in 2016.

The increase in EMEA's revenues was due to higher volumes from existing clients of $16.8 million and new clients of $5.7 million, partially offset by a negative foreign currency impact of $7.4 million and end-of-life client programs of $3.0 million.

Direct Salaries and Related Costs

	Nine Months Ended September 30,					
	2017		2016			
(in thousands)	Amount	% of Revenues	Amount	% of Revenues	$ Change	Change in % of Revenues
Americas	**$ 630,151**	**64.5%**	$ 569,388	63.7%	$ 60,763	0.8%
EMEA	**133,173**	**70.3%**	125,468	70.7%	7,705	-0.4%
Consolidated	**$ 763,324**	**65.4%**	$ 694,856	64.9%	$ 68,468	0.5%

The increase of $68.5 million in direct salaries and related costs included a positive foreign currency impact of $8.4 million in the Americas and a positive foreign currency impact of $4.4 million in EMEA.

The increase in Americas' direct salaries and related costs, as a percentage of revenues, was primarily attributable to higher customer-acquisition advertising costs of 0.8% and higher compensation costs of 0.2%, partially offset by lower communications costs of 0.2%.

The decrease in EMEA's direct salaries and related costs, as a percentage of revenues, was primarily attributable to lower fulfillment materials costs of 1.1%, partially offset by higher compensation costs of 0.3%, higher rebillable costs of 0.1% and higher other costs of 0.3%.

General and Administrative

	Nine Months Ended September 30,					
	2017		2016			
(in thousands)	Amount	% of Revenues	Amount	% of Revenues	$ Change	Change in % of Revenues
Americas	**$ 191,574**	**19.6%**	$ 179,045	20.0%	$ 12,529	-0.4%
EMEA	**39,584**	**20.9%**	34,082	19.2%	5,502	1.7%
Other	**46,506**	**-**	49,673	-	(3,167)	-
Consolidated	**$ 277,664**	**23.8%**	$ 262,800	24.5%	$ 14,864	-0.7%

The increase of $14.9 million in general and administrative expenses included a positive foreign currency impact of $2.5 million in the Americas and a positive foreign currency impact of $1.9 million in EMEA.

The decrease in Americas' general and administrative expenses, as a percentage of revenues, was primarily attributable to a reduction in technology costs of 0.3% allocated from corporate, lower technology equipment and maintenance costs of 0.2% and lower other costs of 0.1%, partially offset by higher software and maintenance costs of 0.2%.

The increase in EMEA's general and administrative expenses, as a percentage of revenues, was primarily attributable to a gain on settlement of Qelp's contingent consideration of 1.5% in the prior period and higher compensation costs of 0.7%, partially offset by lower facility-related costs of 0.1%, lower communication costs of 0.1% and lower other costs of 0.3%.

The decrease of $3.2 million in Other general and administrative expenses, which includes corporate and other costs, was primarily attributable to lower merger and integration costs of $3.8 million, lower compensation costs of $3.5 million and lower other costs of $0.1 million, partially offset by a reduction in technology costs of $2.3 million allocated to the Americas, higher severance costs of $0.8 million, higher legal and professional fees of $0.7 million and higher charitable contributions of $0.4 million.

Depreciation, Amortization and Impairment of Long-Lived Assets

	Nine Months Ended September 30,					
	2017		2016			
(in thousands)	Amount	% of Revenues	Amount	% of Revenues	$ Change	Change in % of Revenues
Depreciation, net:						
Americas	**$ 35,374**	**3.6%**	$ 30,856	3.5%	$ 4,518	0.1%
EMEA	**3,815**	**2.0%**	3,450	1.9%	365	0.1%
Other	**2,206**	**-**	1,442	-	764	-
Consolidated	**$ 41,395**	**3.5%**	$ 35,748	3.3%	$ 5,647	0.2%
Amortization of intangibles:						
Americas	**$ 15,048**	**1.5%**	$ 13,353	1.5%	$ 1,695	0.0%
EMEA	**726**	**0.4%**	791	0.4%	(65)	0.0%
Other	**-**	**-**	-	-	-	-
Consolidated	**$ 15,774**	**1.4%**	$ 14,144	1.3%	$ 1,630	0.1%
Impairment of long-lived assets:						
Americas	**$ 5,071**	**0.5%**	$ -	0.0%	$ 5,071	0.5%
EMEA	**-**	**0.0%**	-	0.0%	-	0.0%
Other	**-**	**-**	-	-	-	-
Consolidated	**$ 5,071**	**0.4%**	$ -	0.0%	$ 5,071	0.4%

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

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

See Note 4, Fair Value, of the "Notes to Consolidated Financial Statements" for further information regarding the impairment of long-lived assets.

Other Income (Expense)

	Nine Months Ended September 30,		
(in thousands)	2017	2016	$ Change
Interest income	**$ 468**	$ 429	$ 39
Interest (expense)	**$ (5,585)**	$ (3,967)	$ (1,618)
Other income (expense), net:			
Foreign currency transaction gains (losses)	**$ 567**	$ 3,534	$ (2,967)
Gains (losses) on foreign currency derivative instruments not designated as hedges	**(48)**	(1,434)	1,386
Other miscellaneous income (expense)	**1,228**	501	727
Total other income (expense), net	**$ 1,747**	$ 2,601	$ (854)

Interest income remained consistent with the comparable period.

The increase in interest (expense) was primarily due to $216.0 million in borrowings used to acquire Clearlink in April 2016 as well as an increase in weighted average interest rates on outstanding borrowings, partially offset by a decrease in the interest accretion on contingent consideration.

The increase in other miscellaneous income (expense) was primarily due to the net investment income (losses) related to the investments held in rabbi trust. See Note 7, Investments Held in Rabbi Trust, of "Notes to Condensed Consolidated Financial Statements" for further information.

Income Taxes

(in thousands)	Nine Months Ended September 30, 2017	2016	$Change
Income before income taxes	**$ 60,163**	$ 62,406	$ (2,243)
Income taxes	**10,911**	18,044	$ (7,133)
			% Change
Effective tax rate	**18.1%**	28.9%	-10.8%

The decrease in the effective tax rate in 2017 compared to 2016 is due to several significant factors, including the recognition of $2.0 million of previously unrecognized tax benefits, inclusive of penalties and interest, of which $1.2 million arose from the effective settlement of the Canadian Revenue Agency audit and $0.8 million arose from other favorable audit settlements and statute of limitation expirations. Additionally, we recognized a $0.8 million benefit related to the increase in anticipated tax credits and reductions in estimated non-deferred foreign income, as well as a $0.3 million benefit for the release of a valuation allowance where it is more likely than not that the benefit will be realized. We also recognized a $0.9 million tax benefit resulting from the adoption of ASU 2016-09 on January 1, 2017. The decrease in the effective tax rate was also significantly affected by shifts in earnings among the various jurisdictions in which we operate. Several additional factors, none of which are individually material, also impacted the rate.

Client Concentration

Our top ten clients accounted for approximately 47.6% and 50.1% of our consolidated revenues in the three months ended September 30, 2017 and 2016, respectively, and 48.1% and 49.1% of our consolidated revenues in the nine months ended September 30, 2017 and 2016, 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 September 30,				Nine Months Ended September 30,			
	2017		2016		2017		2016	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas	**$ 56,448**	**16.5%**	$ 65,847	20.2%	**$ 173,609**	**17.8%**	$ 176,701	19.8%
EMEA	**-**	**0.0%**	-	0.0%	**-**	**0.0%**	-	0.0%
	$ 56,448	**13.9%**	$ 65,847	17.1%	**$ 173,609**	**14.9%**	$ 176,701	16.5%

We have multiple distinct contracts with AT&T spread across multiple lines of businesses, which expire at varying dates between 2017 and 2019. We have historically renewed most of these contracts. However, there is no assurance that these contracts will be renewed, or if renewed, will be on terms as favorable as the existing contracts. Each line of business is governed by separate business terms, conditions and metrics. Each line of business also has a separate decision maker such that a loss of one line of business would not necessarily impact our relationship with the client and decision makers on other lines of business. The loss of (or the failure to retain a significant amount of business with) any of our key clients, including AT&T, could have a material adverse effect on our performance. Many of our contracts contain penalty provisions for failure to meet minimum service levels and are cancelable by the client at any time or on short notice. Also, clients may unilaterally reduce their use of our services under our contracts without penalty.

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017		2016		2017		2016	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas	**$ 28,644**	**8.4%**	$ 22,930	7.0%	**$ 76,388**	**7.8%**	$ 67,479	7.6%
EMEA	**-**	**0.0%**	-	0.0%	**-**	**0.0%**	-	0.0%
	$ 28,644	**7.0%**	$ 22,930	5.9%	**$ 76,388**	**6.5%**	$ 67,479	6.3%

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 September 30,				Nine Months Ended September 30,			
	2017		2016		2017		2016	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas	$ -	0.0%	$ -	0.0%	$ -	0.0%	$ -	0.0%
EMEA	20,684	31.4%	24,112	40.4%	58,813	31.0%	70,298	39.6%
	$ 20,684	5.1%	$ 24,112	6.3%	$ 58,813	5.0%	$ 70,298	6.6%

Business Outlook

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

- Revenues in the range of $407.0 million to $412.0 million;
- Effective tax rate of approximately 29%;
- Fully diluted share count of approximately 42.2 million;
- Diluted earnings per share in the range of $0.30 to $0.32; and
- Capital expenditures in the range of $14.0 million to $17.0 million.

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

- Revenues in the range of $1,574.0 million to $1,579.0 million;
- Effective tax rate of approximately 20%;
- Fully diluted share count of approximately 42.1 million;
- Diluted earnings per share in the range of $1.46 to $1.49; and
- Capital expenditures in the range of $62.0 million to $65.0 million.

We are raising our full-year 2017 revenue and diluted earnings per share outlook, reflecting the above-expectations operating results in the third quarter of 2017. Meanwhile, we continue to implement various action plans to address the operational inefficiencies around staffing, attrition and capacity utilization, and believe the associated drag on our underlying operating results is beginning to moderate.

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

We anticipate total other interest income (expense), net of approximately $(1.8) million for the fourth quarter and $(5.3) million for the full-year 2017. These amounts include the accretion on the Clearlink contingent consideration, which is expected to be a total of $(0.1) million for the year. The amounts, however, exclude the potential impact of any future foreign exchange gains or losses in other income (expense).

We expect a slight reduction in our full-year 2017 effective tax rate relative to the business outlook provided in August 2017, with the decline due to various discrete items, including the settlement of uncertain tax positions and an increase in tax credits, coupled with a release of a valuation allowance and a shift in the geographic mix of earnings to lower 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 engagement centers.

Liquidity and Capital Resources

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

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

During the nine months ended September 30, 2017, cash increased $118.4 million from operating activities and $0.1 million of proceeds from grants, which was partially offset by $48.4 million used for capital expenditures, $9.1 million of cash paid for acquisitions, a $5.1 million settlement of the net investment hedge, a $5.0 million investment in equity method investees, a $4.8 million purchase of intangible assets, a $4.8 million payment of contingent consideration and $3.9 million to repurchase common stock for tax withholding on equity awards, resulting in a $61.5 million increase in available cash (including the favorable effects of foreign currency exchange rates on cash and cash equivalents of $24.1 million).

Net cash flows provided by operating activities for the nine months ended September 30, 2017 were $118.4 million, compared to $105.4 million for the comparable period in 2016. The $13.0 million increase in net cash flows from operating activities was due to a $4.9 million increase in net income and a $21.1 million increase in non-cash reconciling items such as depreciation, amortization, unrealized foreign currency transaction (gains) losses and deferred income taxes, partially offset by a net decrease of $13.0 million in cash flows from assets and liabilities. The $13.0 million decrease in 2017 from 2016 in cash flows from assets and liabilities was principally a result of a $15.8 million decrease in other liabilities, a $12.6 million increase in taxes receivable, net and a $2.8 million decrease in deferred revenue, partially offset by a $17.9 million decrease in accounts receivable and a $0.3 million decrease in other assets. The $15.8 million decrease in the change in other liabilities was primarily due to $8.0 million related to other accrued expenses and current liabilities principally due to a decrease of $4.8 million related to the timing of payments associated with site expansions and infrastructure upgrades, a $2.1 million decrease resulting from the settlement of the net investment hedge and a $1.5 million decrease driven by a reduction in cash flow hedge liabilities as well as a $5.5 million decrease related to the timing of accrued employee compensation and benefits in the nine months ended September 30, 2017 over the comparable period in 2016. The $12.6 million increase in taxes receivable, net was primarily due to the effective settlement of the Canadian Revenue Agency audit and a reduction in estimated tax liabilities in the nine months ended September 30, 2017 over the comparable period in 2016. The $17.9 million decrease in the change in accounts receivable was primarily due to the timing of billings and collections in the nine months ended September 30, 2017 over the comparable period in 2016.

Capital expenditures, which are generally funded by cash generated from operating activities, available cash balances and borrowings available under our credit facilities, were $48.4 million for the nine months ended September 30, 2017, compared to $59.3 million for the comparable period in 2016, a decrease of $10.9 million. In 2017, we anticipate capital expenditures in the range of $62.0 million to $65.0 million, primarily for new seat additions, Enterprise Resource Planning upgrades, facility upgrades, maintenance and systems infrastructure.

On May 12, 2015, we entered into a $440 million revolving credit facility (the “2015 Credit Agreement”) with a group of lenders and KeyBank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent, Swing Line Lender and Issuing Lender (“KeyBank”). The 2015 Credit Agreement is subject to certain borrowing limitations and includes certain customary financial and restrictive covenants. At September 30, 2017, we were in compliance with all loan requirements of the 2015 Credit Agreement and had $267.0 million of outstanding borrowings under this facility. On April 1, 2016, we borrowed $216.0 million under our 2015 Credit Agreement in connection with the acquisition of Clearlink. See Note 2, Acquisitions, of “Notes to Condensed Consolidated Financial Statements” for further information.

Our credit agreement had an average daily utilization of $267.0 million and $272.0 million during the three months ended September 30, 2017 and 2016, respectively, and $267.0 million and $207.2 million during the nine months ended September 30, 2017 and 2016, respectively. During the three months ended September 30, 2017 and 2016, the related interest expense, including the commitment fee and excluding the amortization of deferred loan fees, was $1.8 million and $1.2 million, respectively, which represented weighted average interest rates of 2.6% and 1.7%, respectively. During the nine months ended September 30, 2017 and 2016, the related interest expense, including the commitment fee and excluding the amortization of deferred loan fees, was $4.8 million and $2.6 million, respectively, which represented weighted average interest rates of 2.4% and 1.8%, respectively.

The 2015 Credit Agreement includes a $200 million alternate-currency sub-facility, a $10 million swingline sub-facility and a $35 million letter of credit sub-facility, and may be used for general corporate purposes including acquisitions, share repurchases, working capital support and letters of credit, subject to certain limitations. We are not currently aware of any inability of our lenders to provide access to the full commitment of funds that exist under the 2015 Credit Agreement, if necessary. However, there can be no assurance that such facility will be available to us, even though it is a binding commitment of the financial institutions. The 2015 Credit Agreement will mature on May 12, 2020.

Borrowings under the 2015 Credit Agreement bear interest at the rates set forth in the 2015 Credit Agreement. In addition, we are required to pay certain customary fees, including a commitment fee determined quarterly based on our leverage ratio and due quarterly in arrears as 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 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 were $13.8 million as of December 31, 2016 (none at September 30, 2017) and were included in “Deferred charges and other assets” in the accompanying Condensed Consolidated Balance Sheet. As of June 30, 2017, we determined that all material aspects of the Canadian audit were effectively settled pursuant to ASC 740, *Income Taxes* . As a result, we recognized a net income tax benefit of $1.2 million and the deposits were netted against the anticipated liability.

With the effective settlement of the Canadian audit, we have no significant tax jurisdictions under audit; however, we are currently under audit in several tax jurisdictions. We believe we are adequately reserved for the remaining audits and their resolution is not expected to have a material impact on our financial condition and results of operations.

On April 24, 2017, we entered into a definitive Asset Purchase Agreement to purchase certain assets of a Global 2000 telecommunications services provider. The aggregate purchase price of $7.5 million was paid on May 31, 2017, using cash on hand.

As part of the April 2016 Clearlink acquisition, we assumed contingent consideration liabilities related to four separate acquisitions made by Clearlink in 2015 and 2016, prior to the Merger. The fair value of the contingent consideration related to these previous acquisitions was $2.8 million as of April 1, 2016 and was based on achieving targets primarily tied to revenues for varying periods of time during 2016 and 2017. As of September 30, 2017, the fair value of the remaining contingent consideration liability was $1.0 million, which was paid in October 2017.

In July 2015, we completed the acquisition of Qelp B.V. and its subsidiary (together, known as “Qelp”) pursuant to the definitive share sale and purchase agreement, dated July 2, 2015. The purchase price of $15.8 million was funded through cash on hand of $9.8 million and contingent consideration of $6.0 million. On September 26, 2016, we entered into an addendum to the Qelp purchase agreement with the sellers to settle the outstanding contingent consideration for EUR 4.0 million to be paid by June 30, 2017. We paid $4.4 million in May 2017 to settle the outstanding contingent consideration obligation.

As of September 30, 2017, we had $328.2 million in cash and cash equivalents, of which approximately 90.0%, or $295.5 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, 2016.

Off-Balance Sheet Arrangements and Other

As of September 30, 2017, we did not have any material commercial commitments, including guarantees or standby repurchase obligations, or any relationships with unconsolidated entities or financial partnerships, including entities often referred to as structured finance or special purpose entities or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

From time to time, during the normal course of business, we may make certain indemnities, commitments and guarantees under which we may be required to make payments in relation to certain transactions. These include, but are not limited to: (i) indemnities to clients, vendors and service providers pertaining to claims based on negligence or willful misconduct and (ii) indemnities involving breach of contract, the accuracy of representations and warranties, or other liabilities assumed by us in certain contracts. In addition, we have agreements whereby we will indemnify certain officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The indemnification period covers all pertinent events and occurrences during the officer's or director's lifetime. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited; however, we have director and officer insurance coverage that limits our exposure and enables us to recover a portion of any future amounts paid. We believe the applicable insurance coverage is generally adequate to cover any estimated potential liability under these indemnification agreements. The majority of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential for future payments we could be obligated to make. We have not recorded any liability for these indemnities, commitments and other guarantees in the accompanying 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 obligations as of September 30, 2017, 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)	$ 56,958	$ 1,560	$ 14,916	$ 15,105	$ 25,377	$ -
Purchase obligations (2)	45,388	6,646	33,015	5,727	-	-
Other accrued expenses and current liabilities (3)	5,000	-	5,000	-	-	-
	$ 107,346	**$ 8,206**	**$ 52,931**	**$ 20,832**	**$ 25,377**	**$ -**

(1) Amounts represent the change in expected cash payments under our operating leases, including amounts that were assumed in conjunction with the Telecommunications Asset acquisition in May 2017. See Note 14, Commitments and Loss Contingency, to the accompanying Condensed Consolidated Financial Statements.
(2) Amounts represent the change in 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. See Note 14, Commitments and Loss Contingency, to the accompanying Condensed Consolidated Financial Statements.
(3) Amount represents the final payment related to an equity method investment entered into in July 2017.

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, 2016.

Critical Accounting Estimates

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of our critical accounting estimates.

There have been no material changes to our critical accounting estimates in 2017.

New Accounting Standards Not Yet Adopted

See Note 1, Overview and Basis of Presentation, of the accompanying "Notes to Condensed Consolidated Financial Statements" for information related to recent accounting pronouncements.

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

In order to hedge a portion of our anticipated revenues denominated in USD and EUR, we had outstanding forward contracts and options as of September 30, 2017 with counterparties through December 2018 with notional amounts totaling $108.7 million. As of September 30, 2017, we had net total derivative liabilities associated with these contracts with a fair value of $0.4 million, which will settle within the next 15 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 $9.1 million on the underlying exposures of the derivative instruments. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We had forward exchange contracts with notional amounts totaling $27.5 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 September 30, 2017, the fair value of these derivatives was a net asset of $0.3 million. The potential loss in fair value at September 30, 2017, for these contracts resulting from a hypothetical 10% adverse change in the foreign currency exchange rates is approximately $5.0 million. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We had embedded derivative contracts with notional amounts totaling $13.8 million that are not designated as hedges. As of September 30, 2017, the fair value of these derivatives was a net liability of $0.3 million. The potential loss in fair value at September 30, 2017, for these contracts resulting from a hypothetical 10% adverse change in the foreign currency exchange rates is approximately $2.3 million. However, this loss would be mitigated by corresponding gains on the underlying exposures.

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

We do not use derivative financial instruments for speculative trading purposes, nor do we hedge our foreign currency exposure in a manner that entirely offsets the effects of changes in foreign exchange rates. As a general rule, we do not use financial instruments to hedge local currency denominated operating expenses in countries where a natural hedge exists. For example, in many countries, revenue from the local currency services substantially offsets the local currency denominated operating expenses.

Interest Rate Risk

Our exposure to interest rate risk results from variable rate 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 September 30, 2017, we had $267.0 million in borrowings outstanding under the revolving credit facility. Based on our level of variable rate debt outstanding during the three and nine months ended September 30, 2017, 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 $0.7 million and $2.0 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, 2016, quarterly revenues as a percentage of total consolidated annual revenues were approximately 22%, 25%, 26% 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 engagement services, non-U.S. currency fluctuations, and the seasonal pattern of customer engagement support and fulfillment services.

Item 4. Controls and Procedures

As of September 30, 2017, 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 September 30, 2017, 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 September 30, 2017 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, 2016.

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

Below is a summary of stock repurchases for the three months ended September 30, 2017 (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	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 (1)
July 1, 2017 - July 31, 2017	-	$ -	-	4,748
August 1, 2017 - August 31, 2017	-	$ -	-	4,748
September 1, 2017 - September 30, 2017	-	$ -	-	4,748
Total	-		-	4,748

(1) The total number of shares approved for repurchase under the 2011 Share Repurchase Plan dated August 18, 2011, as amended on March 16, 2017, is 10.0 million. The 2011 Share Repurchase Plan has no expiration date.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

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

No.	Description
10.1*	Fifth Amendment to the Amended and Restated Sykes Enterprises, Incorporated Deferred Compensation Plan, effective as of January 1, 2018.
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

*	Filed herewith as an Exhibit.
**	Furnished herewith as an Exhibit.
+	Submitted electronically with this Quarterly Report.

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: November 9, 2017

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

SYKES ENTERPRISES, INCORPORATED
DEFERRED COMPENSATION PLAN

AMENDED AND RESTATED
AS OF
JANUARY 1, 2018

SYKES ENTERPRISES, INCORPORATED
DEFERRED COMPENSATION PLAN

AMENDED AND RESTATED
AS OF
JANUARY 1, 2018

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SYKES ENTERPRISES, INCORPORATED
DEFERRED COMPENSATION PLAN

AMENDED AND RESTATED
AS OF
JANUARY 1, 2018

ARTICLE I

Purpose

Sykes Enterprises, Incorporated ("SYKES") previously established the Sykes Enterprises, Incorporated Deferred Compensation Plan (the "Plan") effective as of December 17, 1998, to retain and reward a select group of management or highly compensated employees of SYKES. The Plan is an unfunded plan established and maintained for the primary purpose of providing certain key employees who contribute, or who are expected to contribute, substantially to the success of SYKES with the opportunity to defer the receipt of compensation. The Plan has previously been amended over the years. SYKES has determined that it is in the best interest of the Participants to amend and restate the Plan effective as of January 1, 2018. The Plan is intended to comply with Section 409A of the Internal Revenue Code of 1986 (the "Code") and shall be operated and interpreted consistent with that intent.

ARTICLE II

<u>Definitions</u>

Whenever used hereinafter, the following terms shall have the meaning set forth below:

(a) " **<u>Account" or "Accounts</u>** " shall mean a Participant's Deferred Compensation Account and/or Matching Contribution Account. These Accounts are bookkeeping accounts that represent a Participant's hypothetical interest with respect to the amounts credited to such Accounts in accordance with Article VI.

(b) " **<u>Affiliate</u>** " shall mean, with respect to SYKES, any corporation other than SYKES that is a member of a controlled group of corporations, within the meaning of Section 414(b) of the Code, of which SYKES is a member; and all other trades or businesses (whether or not incorporated) under common control, within the meaning of Section 414(c) of the Code, with SYKES. Notwithstanding the foregoing, solely for purposes of paragraph (t) of this Article II, references to an 80% ownership requirement under Sections 414(b) and 414(c) are replaced with a 50% ownership.

(c) " **<u>Beneficiary</u>** " shall mean a natural person, estate, or trust designated by a Participant to receive payments to which a beneficiary is entitled in accordance with provisions of the Plan. The Participant's spouse, if living, otherwise the Participant's estate, shall be the Beneficiary if: (1) the Participant has failed to properly designate a Beneficiary, or (2) all designated Beneficiaries have predeceased the Participant. A Participant shall designate a Beneficiary on a form (written or electronic) prescribed by and filed with the Plan Administrator, and may be changed at any time by filing a new form (written or electronic) with the Plan Administrator. In the event of any dispute as to the entitlement of any Beneficiary, the Plan Administrator's determination shall be final, and the Plan Administrator may withhold any payment until such dispute has been resolved.

(d) " **<u>Board" or "Board of Directors</u>** " shall mean the board of directors of Sykes Enterprises, Incorporated.

(e) " **<u>Cause</u>** " shall mean, for the purposes of this Plan, any of the following: (1) Participant engages in conduct which has caused or is reasonably likely to cause demonstrable and serious injury to SYKES; (2) Participant is convicted of a felony as evidenced by a binding and final judgment, order, or decree of a court of competent jurisdiction; (3) Participant's neglect of his duties hereunder or the Participant's refusal to perform his duties or responsibilities hereunder as determined by SYKES' Board of Directors in good faith; (4) Participant's chronic absenteeism; (5) Participant's use of illegal drugs; (6) Participant's insobriety while performing his or her duties; or (7) any act of dishonesty, embezzlement or falsification of reports, records, or information submitted by the Participant to SYKES. Notwithstanding the foregoing, to the extent the Participant is terminated for Cause under the terms of any employment agreement between the Participant and SYKES, such Participant shall also be deemed to be terminated for Cause for purposes of this Plan.

(f) " **Change in Control** " shall mean the occurrence of any one (1) or more of the following events:

(1) A change in the effective control of SYKES, which occurs only on either of the following dates:

(A) The date any Person or more than one Person acting as a group (other than SYKES or any corporation owned, directly or indirectly, by the stockholders of SYKES in substantially the same proportions as their ownership of stock of SYKES, and any trustee or other fiduciary holding securities under an employee benefit plan of SYKES or such proportionately owned corporation), acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such Person or Persons) ownership of stock of SYKES representing thirty percent (30%) or more of the total voting power of the stock of SYKES; or

(B) The date a majority of the members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election;

provided that, in any event, the transaction must constitute a change in the effective control of SYKES within the meaning of Section 409A(a)(2)(A)(v) of the Code and Treasury Regulations Section 1.409A-3(i)(5)(vi).

(2) The date any Person or more than one Person acting as a group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such Person or Persons) all or substantially all of SYKES; assets; provided that the transaction must constitute a change in the ownership of a substantial portion of the assets of SYKES within the meaning of Section 409A(a)(2)(A)(v) of the Code and Treasury Regulations Section 1.409A-3(i)(5)(vii).

(g) " **Code** " shall mean the Internal Revenue Code of 1986, as it may be amended from time to time, or any successor statute. Reference to a specific section of the Code shall include a reference to any successor provision.

(h) " **Commissions** " shall mean the payment earned under the Sykes Enterprises, Incorporated Sales Commission Plan and the Sykes SPIFF Plan for North America Account Managers.

(i) " **Compensation** " shall mean a Participant's base salary. Compensation shall not include any compensation that has been previously deferred under this Plan or any other arrangement subject to Section 409A of the Code.

(j) “ **Deferred Compensation Account** ” shall mean an Account established in accordance with paragraph (a)(1) of Article VI to record amounts that are deferred at the election of a Participant in accordance with paragraph (a) of Article V.

(k) “ **Effective Date** ” shall mean, for purposes of this amendment and restatement, January 1, 2018. The Plan was originally effective as of December 17, 1998.

(l) “ **In-Service Benefit** ” shall mean an in-service distribution elected by the Participant pursuant to paragraph (c)(2) of Article VII.

(m) “ **Matching Contribution Account** ” shall mean an Account established in accordance with paragraph (a)(2) of Article VI to record any matching contribution amounts made on behalf of a Participant.

(n) “ **Participant** ” shall mean any employee of SYKES or an Affiliate who is covered by this Plan as provided in Article IV.

(o) “ **Person** ” shall have the meaning ascribed to such term in the Code and Treasury Regulations.

(p) “ **Performance Based Compensation** ” shall mean compensation or a bonus where the amount of, or entitlement to, such compensation or bonus is contingent on the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least 12 consecutive months. Organizational or individual performance criteria are considered pre-established if established in writing by not later than 90 days after the commencement of the period of service to which the criteria relate, provided that the outcome is substantially uncertain at the time the criteria are established. The determination of whether compensation or a bonus qualifies as “Performance-Based Compensation” will be made in accordance with Treasury Regulations Section 1.409A-1(e) and subsequent guidance.

(q) “ **Plan** ” shall mean the Sykes Enterprises, Incorporated Deferred Compensation Plan as it may be amended from time to time.

(r) “ **Plan Administrator** ” shall mean the Compensation Committee of the Board. In the event that no such committee has been appointed or no longer exists, the Plan Administrator shall mean SYKES.

(s) “ **Plan Year** ” shall mean the 12-month period ending on December 31.

(t) “ **Separation from Service** ” shall mean the Participant has a termination of employment with SYKES, and/or any Affiliates.

(1) A termination of employment will occur as of the date that both the Participant and SYKES reasonably anticipate, based on all of the facts and circumstances, that either (1) no services will be performed by the Participant for SYKES, or an Affiliate, after such date, whether as an employee or as an

independent contractor, or (2) the level of bona fide services that the Participant will perform for SYKES, or an Affiliate, after such date, whether as an employee or as an independent contractor, will be permanently reduced to less than twenty percent (20%) of the average level of bona fide services the Participant performed over the immediately preceding thirty-six (36) month period (or, if less, the Participant's full period of service to SYKES, or an Affiliate).

(2) If a Participant is on a "bona fide leave of absence" (as defined below) from SYKES, or any Affiliate, the Participant's employment will be considered terminated, even though the Participant is reasonably expected to return to perform services for SYKES, or any Affiliate (at a level such that the Participant's employment is not terminated pursuant to subsection (1) above), on the later of: (A) the first date immediately following the end of the "six (6) month period" (as defined below), or (B) the date the Participant's right to reemployment under applicable law or contract, if any, expires. A "bona fide leave of absence" is a leave of absence, including military leave or sick leave, in which there is a reasonable expectation that the Participant will return to perform service for SYKES, or any Affiliates. The "six (6) month period" is the period that begins on the date the leave of absence commences and ends on the date that is six (6) months thereafter. Notwithstanding, if the leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, where such impairment causes the employee to be unable to perform the duties of his position of employment or any substantially similar position of employment, a twenty-nine (29) month period of absence shall be substituted for such six (6) month period of absence.

(3) The foregoing definition is intended to meet the requirements for a "Separation from Service" within the meaning of Section 409A(a)(2)(A)(i) of the Code, and shall be interpreted, construed, administered and applied consistently therewith.

(u) " **SYKES** " shall mean Sykes Enterprises, Incorporated and its successors.

(v) " **Total and Permanent Disability** " shall mean (1) the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, or (2) the Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant's employer.

(w) " **Unforeseeable Emergency** " shall mean a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's dependent (as defined in Section 152 of the Code, without regard to Section 152(b)(1), (b)(2), and (d)(1)(B) of the Code), or a Beneficiary; loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The need to pay for the funeral expenses of a spouse, a Beneficiary, or a dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)) may also constitute an unforeseeable emergency. The purchase of a home and payment of college tuition are not examples of unforeseeable emergencies. A determination of whether a Participant has had an Unforeseeable Emergency will be decided by the Plan Administrator or its delegate.

(x) " **Valuation Date** " shall mean each day that the New York Stock Exchange and the Plan's recordkeeper are open for business.

(y) " **Year of Participation** " shall mean each twelve (12) month period in which the Participant is eligible to participate in this Plan. For this purpose, the 12-month period begins on the date that the Participant enters (or is eligible to enter) the Plan. Years of Participation shall also include the following:

(1) Periods for which the Participant was eligible to participate in the nonqualified deferred compensation plan maintained by ICT Group Inc., as well as the period beginning January 1, 2010 and ending December 31, 2010 during which the Participant was employed; provided that the Participant was employed with ICT Group Inc. on February 2, 2010, the date ICT Group Inc. was acquired by SYKES.

(2) Effective as of January 1, 2013, Years of Participation shall include a Participant's service (each continuous 12-month period of service) that the Participant was employed with Alpine Access, Inc. in a position of Director or above, provided, that such Participant was employed with Alpine Access, Inc. in such position on the date immediately preceding August 20, 2012, the date Alpine Access, Inc. was acquired by SYKES or its Affiliate, and continued in such position or higher position following such date.

(3) Effective July 1, 2014 Years of Participation shall include all years of service (each continuous 12-month period of service) that the employee worked outside of the United States in a position that is the equivalent of a Director or above in the United States, as determined by the Plan Administrator.

(4) Effective as of January 1, 2018, Years of Participation shall include a Participant's service (each continuous 12-month period of service) that the Participant was employed with Clear Link Holdings, LLC (or a subsidiary) in a position of Director or above, provided that such Participant was employed at Clear Link Holdings, LLC (or a subsidiary) in such position on the date immediately preceding April 1, 2016, the date Clear Link Holdings, LLC (and its subsidiaries) was acquired by SYKES (or its Affiliate) and continued in such position or a higher position following such date.

ARTICLE III

Administration

(a) **Plan Administrator**.

(1) The Plan Administrator shall have complete control and discretion to manage the operation and administration of the Plan. Not in limitation, but in amplification of the foregoing, the Plan Administrator shall have the following powers:

(A) To determine all questions relating to the continued eligibility of employees to participate or continue to participate;

(B) To maintain all records and books of account necessary for the administration of the Plan;

(C) To interpret the provisions of the Plan and to make and to publish such interpretive or procedural rules as are not inconsistent with the Plan and applicable law;

(D) To compute, certify and arrange for the payment of benefits to which any Participant or Beneficiary is entitled;

(E) To process claims for benefits under the Plan by Participants or Beneficiaries;

(F) To engage consultants and professionals to assist the Plan Administrator in carrying out its duties under this Plan; and

(G) To develop and maintain such instruments as may be deemed necessary from time to time by the Plan Administrator to facilitate payment of benefits under the Plan.

(2) The Plan Administrator may designate a committee or individual to assist the Plan Administrator in the administration of the Plan and perform the duties required of the Plan Administrator hereunder.

(b) **Plan Administrator's Authority**. The Plan Administrator may consult with SYKES' officers, legal and financial advisers to SYKES and others, but nevertheless the Plan Administrator shall have the full authority and discretion to act, and the Plan Administrator's actions shall be final and conclusive on all parties.

(c) **Claims and Appeal Procedure for Denial of Benefits**. The Participant or a Beneficiary ("Claimant") may file with the Plan Administrator a written claim for benefits if the Participant or Beneficiary determines the distribution procedures of the Plan have not provided the Claimant with his or her proper interest in the Plan. The Plan Administrator must render a decision on the claim within a reasonable period of time of the Claimant's written claim for benefits. The Plan Administrator must provide adequate notice in writing to the Claimant whose claim for benefits under the Plan the Plan Administrator has denied. Notice must be provided to the Claimant within a reasonable period of time, but not later than 90 days (45 days in the case of a claim for disability benefits) after the receipt of a claim. If the Plan Administrator determines the additional time is needed, written notice will be forwarded to the Participant prior to the expiration of the 90-day period (45 days in the case of a claim for disability benefits). The extension will not exceed 90 days (30 days in the case of a claim for disability benefits) from the end of the initial period. The Plan Administrator's notice to the Claimant must set forth:

(1) The specific reason for the denial;

(2) Specific references to pertinent Plan provisions on which the Plan Administrator based its denial;

(3) A description of any additional material and information needed for the Claimant to perfect the claim and an explanation of why the material or information is needed; and

(4) Appropriate information as to the steps to be taken if the Claimant wants to submit the claim for review; and

(5) In the case of disability benefits, where disability is determined by a physician appointed by the Plan Administrator, the specific basis for the determination of the physician.

(6) Effective for disability benefit claims filed on or after January 1, 2018 where disability is determined by a physician appointed by the Plan Administrator, in addition to those items above, as applicable:

(A) A discussion of the decision, including an explanation of the basis for disagreeing with or not following (i) the views presented by the Claimant to the Plan of health care professionals treating the Claimant and vocational professionals who evaluated the Claimant; (ii) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a Claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (iii) a disability determination regarding the Claimant presented by the Claimant to the Plan made by the Social Security Administration;

(B) If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request;

(C) Either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the plan do not exist; and

(D) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant (as determined by reference to 29 CFR §2560.503-1(m)(8)) to the Claimant's claim for benefits.

To the extent required by 29 CFR §2560.503-1, the Plan Administrator shall provide the notifications required under this subsection (c) as applicable, in a culturally and linguistically appropriate manner (as described under 29 CFR §2560.503-1(o)).

Any appeal the Claimant wishes to make of an adverse determination must be made in writing to the Plan Administrator within sixty (60) days (or 180 days in the case of a claim for disability benefits where the disability is determined by a physician chosen by the Plan Administrator) after receipt of the Plan Administrator's notice of denial of benefits. The Plan Administrator's notice must further advise the Claimant that the failure to appeal the action to the Plan Administrator in writing will render the Plan Administrator's determination final, binding and conclusive. The Plan Administrator's notice of denial of benefits must identify the name and address of the Plan Administrator to whom the Claimant may forward the appeal.

If the Claimant should appeal to the Plan Administrator, the Claimant or the Claimant's duly authorized representative, must submit, in writing, whatever issues and comments the Claimant or the Claimant's duly authorized representative, believes are pertinent. The Claimant, or the Claimant's duly authorized representative, may review pertinent Plan documents free of charge. The Plan Administrator will re-examine all facts related to the appeal and make a final determination as to whether the denial of benefits is justified under the circumstances. The Plan Administrator must advise the Claimant of its decision within 60 days following (45 days in the case of a claim for disability benefits) the Claimant's written request for review. If the Plan Administrator determines the additional time is needed, written notice will be forwarded to the Participant prior to the expiration of the 60-day period. The extension will not exceed 60 days (45 days in the case of a claim for disability benefits) from the end of the initial period.

Notwithstanding anything herein to the contrary, where disability is determined by a physician appointed by the Plan Administrator, before the Plan Administrator may issue an adverse benefit determination on appeal of a disability benefit claim, as applicable:

(1) The Plan Administrator shall provide the Claimant, free of charge, with any new or additional evidence considered, relied upon, or generated by the

plan, insurer, or other person making the benefit determination (or at the direction of the Plan Administrator, insurer, or such other person) in connection with the claim. Such evidence shall be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on appeal is required to be provided to give the Claimant a reasonable opportunity to respond prior to that date; and

(2) If the benefit determination is based on a new or additional rationale, the Plan Administrator shall provide the Claimant, free of charge, with the rationale. The rational must be provided as soon as possible and in advance of the date on which the notice of adverse benefit determination on appeal is required to be provided to give the Claimant a reasonable opportunity to respond prior to that date.

ARTICLE IV

Eligibility and Participation

(a) **Eligibility**. The Plan has been established solely for the purpose of providing benefits to a select group of key management and highly compensated employees eligible to participate in the Plan. The Plan Administrator shall have the sole and exclusive discretion to establish the criteria and to determine those eligible to participate from among (1) the officers of SYKES who hold the offices currently designated by the titles of Director, Senior Director, Executive Director, Vice President, Global Vice President, Senior Vice President, Executive Vice President, Chief Executive Officer and President and (2) those employees that are expected to receive an annualized base salary that exceeds the compensation level of a highly compensated employee as defined under Section 414(q) of the Code. Employees that are determined to meet the criteria established by the Plan Administrator shall be eligible to begin participation in the Plan as of the next January 1 or July 1 designated by the Plan Administrator. Eligibility determinations shall be made by the Plan Administrator in June and December of each Plan Year.

(b) **Participation**. An employee shall become a Participant upon receiving notification from the Plan Administrator prior to the date the employee is eligible to commence participation in the Plan and the timely filing of elections pursuant to Article V.

(c) **Duration**. A Participant shall be eligible to participate in the Plan subject to the terms of the Plan, for as long as such Participant remains an eligible employee. A Participant who is no longer an eligible employee as determined by the Plan Administrator may not defer Compensation under the Plan beyond the Plan Year in which he becomes ineligible, but may otherwise exercise all of the rights of a Participant under the Plan with respect to such Participant’s Account(s). An individual shall cease being a Participant in the Plan when all benefits under the Plan to which he is entitled have been distributed from the Plan.

ARTICLE V

Deferral Elections, In-Service Benefit Elections and Matching Contributions

(a) **Deferral Procedures** .

(1) For each Plan Year, a Participant may elect to defer a specific percentage (between 1% and 80%) of Compensation, Commissions or Performance Based Compensation earned by the Participant during such Plan Year as may be permitted by the Plan Administrator in its discretion. Any deferral election (written or electronic) permitted under this paragraph (a) shall be made in accordance with procedures established by the Plan Administrator.

(2) (A) Except as provided in (B) below, any election to defer Compensation, Commissions or Performance Based Compensation must be provided to the Plan Administrator prior to the January 1 of the calendar year in which the Compensation, Commissions and/or Performance Based Compensation is earned.

(B) An employee who is initially eligible to participate in the Plan during the period that begins on January 1 and ends on June 30 of any Plan Year, may make an election to defer Compensation received for the remainder of the Plan Year provided that such election must be made within the 30-day period following the employee's meeting the eligibility requirements to participate in the Plan and prior to July 1 of the Plan Year. Such mid-year election will not take effect until July 1 of that Plan Year. Any elections by such employee to defer Commissions and/or Performance Based Compensation will not be effective until the next January 1.

(3) A Participant's deferral election made in accordance with paragraph (a)(1) or (a)(2) above, shall continue to apply to amounts earned in subsequent Plan Years, unless such election is modified by the Participant. Any modification (with the exception of a revocation in accordance with paragraph (4)(A) below) shall be effective with respect to amounts earned in the next Plan Year. Any such modification must be made in accordance with the procedures established by the Plan Administrator.

(4) (A) A Participant's election to defer Compensation, Commissions and/or Performance Based Compensation earned during a Plan Year shall be irrevocable once such Plan Year has begun, provided, however, that the Participant may cancel a deferral election during the Plan Year (i) if necessary to receive a hardship distribution from a qualified cash or deferred arrangement pursuant to Treasury Regulation Section 1.401(k)-1(d)(3) or (ii) if an Unforeseeable Emergency occurs.

(B) A Participant who revokes a deferral election pursuant to this subparagraph (a)(4) shall be eligible to make a new deferral election pursuant to the provisions of subparagraph (a)(2) above effective as of the January 1 that next follows the effective date of the revocation of the deferral election under subparagraph (a)(4)(A) above.

(b) **Matching Contributions** .

(1) SYKES will match a portion of the amounts deferred under paragraph (a) above. The matching contribution will be an amount equal to 50% of the amount deferred by the Participant. The matching contribution will be calculated at the end of each calendar quarter taking into account only those amounts credited to the Participant’s Deferral Compensation Account. Notwithstanding, the matching contribution may not exceed the applicable annual maximum matching contribution amount set forth below based on the Participant’s title as of the end of the quarter for which the contribution is made.

Titles	**Maximum Matching Contribution**
President, Chief Executive Officer and Executive Vice President	$12,000
Senior Vice President, Global Vice President and Vice President	$ 7,500
All other titles	$ 5,000

(2) The total amount of the matching contribution made to this Plan will be made in the form of SYKES common stock, valued as of the Valuation Date for which the matching contribution is applicable, based on the closing price of a share of SYKES common stock as of such date as reported by the securities market on which SYKES common stock is sold (or if such date is not a trading date, the closing price as of the next preceding trading date). If there is more than one securities market on which SYKES common stock is traded, the Plan Administrator shall determine the appropriate market for determining the common stock’s value for this purpose. If SYKES common stock is not traded on a securities market, the stock’s value will be determined by the Plan Administrator in good faith. To the extent that dividends are paid on SYKES common stock shares that have been credited to a Participant’s Matching Contribution Account under the Plan, such dividend payments will be reinvested under the Plan as of the ex-dividend date.

ARTICLE VI

Participant Accounts and Investment of Deferred Amounts

(a) **In General**.

(1) Except as provided in (2) below, Compensation, Commissions and/or Performance Based Compensation deferred pursuant to Article V of this Plan shall be recorded by the Plan Administrator in a Deferred Compensation Account. The Deferred Compensation Account shall be credited at least monthly with all amounts that have been deferred by the Participant during the Plan Year pursuant to Article V, and such Account shall be charged from time to time with all amounts that are distributed to the Participant.

(2) Matching contributions credited to a Participant pursuant to this Plan shall be recorded by the Plan Administrator in a Matching Contribution Account. The Matching Contribution Account shall be credited with all amounts that have been contributed by SYKES during the Plan Year pursuant to Article V, and such Account shall be charged from time to time with all amounts that are distributed to the Participant.

(3) All amounts that are credited to a Participant’s Account shall be credited solely for purposes of accounting and computation. A Participant shall not have any interest in or right to such Accounts at any time. In the event that the Participant has made elections with respect to timing and/or the form of benefits for amounts contributed to an Account, subaccounts shall be established for accounting purposes as necessary to track such elections.

(b) **Subject to Claims**. The Plan constitutes an unsecured promise by SYKES to pay benefits in the future. Participants shall have the status of general unsecured creditors of SYKES. The Plan is unfunded for Federal tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974. All amounts credited to a Participant’s Account will remain the general assets of SYKES and shall remain subject to the claims of SYKES’ creditors until such amounts are distributed to the Participants.

(c) **Crediting of Interest**.

(1) In selecting investment vehicles, the Plan Administrator may engage an investment consultant, and may delegate to such consultant authority to recommend investment choices be made available for investment within the Plan.

(2) Participants may request that the Administrator allocate amounts credited to the Participant’s Deferred Compensation Account among investment vehicles selected by the Administrator on a daily basis; and may request reallocation of amounts already deferred and earnings attributable thereto on the same basis. A Participant’s Deferred Compensation Account shall be credited at

least annually with interest equal to the aggregate/weighted average return on the investment options/indices selected by the Participant, less expenses.

(3) Amounts credited to the Deferred Compensation Account of a Participant shall be invested and reinvested in mutual funds, stocks, bonds, securities or any other assets that may be selected by the Plan Administrator in its discretion.

(4) The Participant assumes all risk in connection with any decrease in value of the funds which are invested and which continue to be invested in accordance with the provisions of this Plan.

(d) **Valuation; Annual Statement**. The value of a Participant's Account shall be determined by the Plan Administrator and the Plan Administrator may establish such accounting procedures as are necessary to account for the Participant's interest in the Plan. Each Participant's Account shall be valued as of the last day of each Plan Year or more frequently as determined by the Plan Administrator. The Plan Administrator shall furnish each Participant with an annual statement of his or her Accounts.

(e) **Establishment of Trust**.

(1) SYKES may establish one or more trusts substantially in conformance with the terms of the model trust described in Revenue Procedure 92-64 to assist in meeting its obligations to Participants under this Plan. Except as provided in paragraph (b) above and the terms of the trust agreement, any such trust or trusts shall be established in such manner as to permit the use of assets transferred to the trust and the earnings thereon to be used by the trustee solely to satisfy the liability of SYKES in accordance with the Plan.

(2) SYKES, in its sole discretion, and from time to time, may make contributions to the trust. Unless otherwise paid by SYKES, all benefits under the Plan and expenses chargeable to the Plan shall be paid from the trust.

(3) The powers, duties and responsibilities of the trustee shall be as set forth in the trust agreement and nothing contained in the Plan, either expressly or by implication, shall impose any additional powers, duties or responsibilities upon the trustee.

ARTICLE VII

Plan Benefits, Vesting and Distributions

(a) **Plan Benefits**. Subject to the remaining provisions of this Article (including the forfeiture provisions set forth in paragraph (f) of this Article), a Participant (or his Beneficiary) shall be entitled to a benefit from the Plan.

(1) A Participant that incurs a Separation from Service will be entitled to a benefit equal to the vested balance of his Accounts on the date distribution commences.

(2) A Participant that incurs a Total and Permanent Disability while employed by SYKES will be immediately vested and entitled to a benefit equal to the balance in his Accounts on the date distribution commences.

(3) A Participant that dies while employed by SYKES will be immediately vested and entitled to an amount equal to the balance in his Accounts.

(4) In the event of a Change in Control, the Participant will be immediately vested and will be entitled to a benefit equal to the balance in his Accounts. Further, SYKES will increase the amount of the benefit by an amount sufficient to offset the income tax obligation created by the distribution of benefits.

(5) If a Participant has elected to receive an In-Service Benefit, the In-Service Benefit will be distributed as set forth in the provisions of paragraph (c)(2) below.

(b) **Vesting of Amounts Credited to Participant Accounts**.

(1) A Participant shall be at all times fully vested in the amounts credited to the Participant's Deferred Compensation Account.

(2) Amounts credited to a Participant's Matching Contribution Account shall vest according to the following schedule:

Number of Years of Participation	Vested Percentage
Less than 3 Years of Participation	0%
3 years, but less than 5 years	33%
5 years, but less than 7 years	67%
7 years or more	100%

Notwithstanding the foregoing, a Participant shall become fully vested in amounts credited to the Matching Contribution Account upon any of the following events provided that the Participant is employed by SYKES when the event occurs:

(A) a Change in Control;

(B) the Participant’s death; or

(C) the Participant incurs a Total and Permanent Disability.

(3) A Participant shall also become fully vested upon a Separation from Service (that is not an involuntary termination for Cause) after attainment of age 65.

(4) Upon a Participant’s Separation from Service with SYKES, prior to becoming fully vested, the nonvested interest in such Participant’s Accounts, if any, shall be forfeited. Such amount may be forfeited to SYKES or, if applicable, a trust established pursuant to Article VI.

(c) **Timing and Form of Benefit Payments** .

(1) Separation from Service Benefit Distribution .

(A) In the event of a Separation from Service, payment of the Participant’s Benefit shall commence on the first day of the seventh month following Separation from Service. For example, if the Participant incurs a Separation from Service on September 3, 2015, payment will be made on April 1, 2016.

(B) SYKES common stock held in the Matching Contribution Account will be distributed in kind provided, however, the fractional shares shall be liquidated and distributed in cash.

(C) For amounts deferred or credited to the Participant’s Account for Plan Years beginning on or after January 1, 2018, a Participant may elect to have all or a portion of the Separation from Service benefit paid in one or more of the following forms of payment:

(i) a lump sum, or

(ii) annual installments over a term certain as elected by the Participant not to exceed 15 years.

(D) For amounts deferred or credited to the Participant’s Account for Plan Years beginning on or after January 1, 2016, a Participant may elect to have all or a portion of the Separation from Service benefit paid in one or more of the following forms of payment with respect to benefits to be paid as a result of the Participant’s Separation from Service:

(i) a lump sum, or

(ii) annual installments over a term certain as elected by the Participant of either 5 or 10 years.

(E) For amounts deferred for Plan Years ending prior to January 1, 2016, a Separation from Service benefit shall be paid in the form of a lump sum unless the Participant makes a subsequent election to apply one of the optional forms of payment described in subparagraph (c)(1)(C) above, to all or a portion of such amounts, in accordance with paragraph (I) below.

(F) An election as to the form of the Separation from Service benefit shall apply to deferrals and amounts credited in subsequent years until modified or changed. Any modification will become effective with respect to amounts deferred and/or credited beginning as of the next January 1.

(G) If a Participant elects installment payments, payments shall commence in accordance with paragraph (c)(1)(A) of this Article and the annual installments shall be paid on each anniversary thereafter. The amount of each installment payment shall be determined by dividing (i) by (ii), where (i) equals the Account balance as of the valuation date and (ii) equals the remaining number of installment payments. For purposes of Section 409A of the Code, installment payments will be treated as a single form of payment.

(H) If a Participant fails to make an election as to the form of benefit payment, the Participant's benefit shall be paid in the form of a lump sum, unless the Participant makes an affirmative election for a subsequent Plan Year.

(I) Any election or deemed election as to the form of benefit is generally irrevocable unless (i) the change does not take effect until at least 12 months after the date on which the election is made, (ii) the change is made at least 12 months prior to the date the payment is scheduled to commence, and (iii) payment is deferred for a period of not less than 5 years from the date payment would otherwise have been made (unless payment is being made for disability or death) and such request is permitted under Section 409A of the Code.

(2) In-Service Benefit Distribution.

(A) A Participant may elect to receive all or a portion of the amounts elected to be deferred under paragraph (a) of Article V as an In-Service Benefit to be paid as of January 31st of a specified year, provided that the year specified is not earlier than the third Plan Year following the Plan Year for which the In-Service Benefit is first elected. For example, if an In-Service Benefit is first elected with respect to amounts deferred for the 2018 Plan Year, the date of the In-Service Benefit distribution cannot be before January 31, 2021. Any In-Service Benefit of amounts deferred in accordance with Section 2.02, shall be paid on January 31 st (or as soon as administratively possible following that date) of the year selected by the Participant.

(B) Such In-Service Benefit election shall continue to apply to deferrals made in subsequent years until modified or changed, provided, however, that such election shall lapse with respect to amounts deferred for the year in which the In-Service Benefit is to be paid. If the In-Service Benefit election lapses, the Participant will be deemed to have elected to receive such deferred amounts in accordance with the Participant's most recent Separation from Service election (or deemed election) under the Plan made in accordance with the provisions of paragraph (c)(1) of this Article VII that is in effect as of the first day of the Plan Year for which the In-Service Benefit election lapses. Any modification or change to the In-Service Benefit election will be effective for amounts deferred in the next Plan Year unless a change is made in accordance with paragraph (F) below.

(C) In-Service Benefits elected prior to January 1, 2018 will be paid in a lump sum.

(D) If a Participant elects an In-Service Benefit with respect to amounts deferred on or after January 1, 2018, the Participant will be able to elect to receive the In-Service Benefit as a (1) lump sum, or (2) annual installments over a term certain of up to 5 years. The annual installment will commence on the January 31, of the elected year and each anniversary thereafter. Such payments will be treated as a single payment. If a Participant fails to make an election, the In-Service Benefit will be paid as a lump sum.

(E) If a Participant becomes entitled to a distribution under the Plan prior to the In-Service Benefit distribution date, a benefit will be paid out in accordance with this Article VII, provided that in the event of the Participant's Separation from Service prior to his In-Service Benefit distribution date, the Participant will receive such benefit as a Separation from Service benefit in accordance with his Separation from Service distribution election filed under the provisions of Article VII.

(F) The timing and form of the payment with respect to an In-Service Benefit is generally irrevocable unless the Participant requests a change and (i) the change does not take effect until at least 12 months after the date on which the election is made, (ii) the change is made at least 12 months prior to the date the payment is scheduled to commence, and (iii) payment is deferred for a period of not less than 5 years from the date payment would otherwise have been made (unless payment is being made for disability or death), and such request is permitted under Section 409A of the Code.

(3) Death Benefit.

(A) In the event of death of the Participant while still an employee, the balance in the Participant's Deferred Compensation Account and any shares of SYKES common stock in the Matching Contribution Account will be distributed to the Participant's named Beneficiary on the first day of the second month following the Participant's death in a single lump sum payment.

(B) If a Participant dies after Separation from Service with the Employer, benefits will be paid (or continue to be paid) to the Participant's Beneficiary in accordance with the Participant's election (or deemed election) as to the timing and form of payment.

(4) Disability Benefits.

(A) In the event of the Participant's Disability while still an employee as defined herein, the balance of the Participant's Deferred Compensation Account and the shares of SYKES common stock held in the Matching Contribution Account will be distributed to the Participant on the first day of the second month following the Participant's Disability in a single lump sum payment.

(B) In the event of the Participant's Disability after Separation from Service with the Employer, benefits will be paid (or continue to be paid) in accordance with the Participant's election (or deemed election) as to the timing and form of payment.

(5) Change in Control. In the event of a Change in Control, the balance in the Participant's Deferred Compensation Account and the shares of SYKES common stock held in the Matching Contribution Account will be distributed to the Participant on the first day of the seventh month following the Change of Control. Notwithstanding anything to the contrary, in the event of a distribution of benefits as a result of a Change in Control, SYKES will increase the benefit by an amount sufficient to offset the income tax obligations created by the distribution of benefits.

(d) **Unforeseeable Emergency Payments**. A Participant who experiences an Unforeseeable Emergency may submit a written request to SYKES to receive payment of all or any portion of the vested balance in the Participant's Accounts. Whether a Participant or Beneficiary is faced with an Unforeseeable Emergency permitting an emergency payment shall be determined by SYKES based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of Unforeseeable Emergency may not be made to the extent that such emergency is or may be reimbursed through insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals under this Plan. If an emergency payment is approved by SYKES, the amount of the payment shall not exceed the amount reasonably necessary to satisfy the need, taking into account the additional compensation that is available to the Participant as the result of cancellation of deferrals to the Plan, including amounts necessary to pay any taxes or penalties that the Participant reasonably anticipates will result from the payment. The amount of the emergency payment shall be subtracted first from the Participant's Deferred Compensation Account and then from the vested portion of the Matching Contribution Account. Emergency payments shall be paid in a single lump sum within the 90-day period following the date the payment is approved by SYKES.

(e) **Accounting Procedures**. The Plan Administrator shall establish such accounting procedures as are necessary to reflect each Participant's vested interest, earnings and distributions in order to implement the provisions of this Article.

(f) **Forfeiture of Benefits**. Notwithstanding anything herein to the contrary, any shares of SYKES common stock credited to the Matching Contribution Account that have not yet been distributed, shall be forfeited in the event of any of the following:

(1) Participant is terminated for "Cause;"

(2) Participant violates any signed noncompete agreement between the Participant and SYKES (or a subsidiary or an Affiliate of SYKES); or

(3) Participant violates or fails to fully comply with the terms of any signed confidentially agreement between the Participant and SYKES (or a subsidiary or an Affiliate of SYKES).

ARTICLE VIII

Amendment and Termination

(a) **Amendment and Termination**. The Plan may be amended at any time, or from time to time, by the Plan Administrator, and the Plan may be terminated at any time by SYKES. Any such termination shall be ratified and approved by SYKES' Board of Directors. The ability of SYKES to terminate the Plan shall comply with Section 409A of the Code and the regulations thereunder.

(b) **Effect of Amendment or Termination**.

(1) No amendment or termination of the Plan shall affect the rights of any Participant with respect to any amounts credited to the Account as of the date of such amendment or termination.

(2) Upon termination of the Plan, all Participants shall be fully vested.

(3) Distribution upon termination shall be made as a lump sum, provided, that the timing and manner of distribution benefits in connection with any termination of the Plan shall comply with Section 409A of the Code and the regulations thereunder.

ARTICLE IX

Miscellaneous

(a) **Payments to Minors and Incompetents**. If the Plan Administrator receives satisfactory evidence that a person who is entitled to receive any benefit under the Plan, at the time such benefit becomes available, is a minor or is physically unable or mentally incompetent to receive such benefit and to give a valid release therefore, and that another person or an institution is then maintaining or has custody of such person, and that no guardian committee, or other representative of the estate of such person shall have been duly appointed, the Plan Administrator may authorize payment of such benefit otherwise payable to such person to such other person or institution; and the release of such other person or institution shall be a valid and complete discharge for the payment of such benefit.

(b) **Plan Not a Contract of Employment**. The Plan shall not be deemed to constitute a contract between SYKES and any Participant, nor to be consideration for the employment of any Participant. Nothing in the Plan shall give a Participant the right to be retained in the employ of SYKES; all Participants shall remain subject to discharge or discipline as employees to the same extent as if the Plan had not been adopted.

(c) **No Interest in Assets**. Nothing contained in the Plan shall be deemed to give any Participant any equity or other interest in the assets, business or affairs of SYKES. No Participant in the Plan shall have a security interest in assets of SYKES used to make contributions or pay benefits.

(d) **Recordkeeping**. Appropriate records shall be maintained for the Plan, subject to the supervision and control of the Plan Administrator.

(e) **Set Off**. Notwithstanding any provision of this Plan, SYKES may offset a Participant's Deferred Compensation Account by any amount of up to $5,000 to collect any loan, cash advance, extension of credit or other obligation of the Participant to SYKES or an Affiliate, in accordance with the requirements of Section 409A of the Code, and the Participant shall be deemed to have consented to such reduction.

(f) **Non-Alienation of Benefits**. No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void. No benefit under the Plan shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person. If any person entitled to benefits under the Plan shall become bankrupt or shall attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit under the Plan, or if any attempt shall be made to subject any such benefit to the debts, contracts, liabilities, engagements or torts of the person entitled to any such benefit, except as specifically provided in the Plan, then such benefits shall cease and terminate at the discretion of the Plan Administrator. The Plan Administrator may then hold or apply the same or any part thereof to or for the benefit of such person or any dependent or Beneficiary of such person in such manner and proportions as it shall deem proper. Notwithstanding anything to the contrary herein, however, SYKES has the discretion to make payments to an alternate payee in accordance with the terms of the domestic relations order (as defined in Section 414(p)(1)(B) of the Code). Payments under this section shall be made to the alternate payee as a lump sum.

(g) **Severability** . The invalidity of any portion of this Plan shall not invalidate the remainder and the remainder shall continue in full force and effect.

(h) **Section 409A Compliance** . SYKES intends for this Plan to conform in all respects to the requirements under Section 409A of the Code, the failure of which would result in the imposition or accrual of penalties, interest or additional taxes under Section 409A of the Code (the " Section 409A Requirements "). Accordingly, SYKES intends for this Plan to be interpreted, construed, administered and applied in a manner as shall meet and comply with the Section 409A Requirements, and in the event of any inconsistency between this Plan and the Section 409A Requirements, this Plan shall be reformed so as to meet the Section 409A Requirements. Any reference in this Plan to Section 409A of the Code, or any subsection thereof, shall be deemed to mean and include, to the extent then applicable and then in force and effect (but not to the extent overruled, limited or superseded), published rulings, notices and similar announcements issued by the Internal Revenue Service under or interpreting Section 409A of the Code and regulations (proposed, temporary or final) issued by the Secretary of the Treasury under or interpreting Section 409A of the Code.

(i) **State Law** . This instrument shall be construed in accordance with and governed by the laws of the State of Florida, to the extent not superseded by the laws of the United States.

(j) **Corporate Successors** . The Plan shall not be automatically terminated by a transfer or sale of assets of SYKES or by the merger or consolidated of SYKES into or with any other corporation or other entity, but the Plan shall be continued after such sale, merger or consolidation only if and to the extent that the transferee, purchaser or successor entity agrees to continue the Plan.

(k) **Liability Limited** . In administering the Plan, neither the Plan Administrator nor any officer, director or employee thereof, shall be liable for any act or omission performed or omitted, as the case may be, by such person with respect to the Plan; provided, that the foregoing shall not relieve any person of liability for gross negligence, fraud or bad faith. The Plan Administrator, its officers, directors and employees shall be entitled to rely conclusively on all tables, valuations, certificates, opinions and reports that shall be furnished by any actuary, accountant, trustee, insurance company, consultant, counsel or other expert who shall be employed or engaged by the Plan Administrator in good faith.

(l) **Protective Provisions** . Each Participant shall cooperate with the Plan Administrator by furnishing any and all information requested by the Plan Administrator in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Plan Administrator may deem necessary, consenting to insurance coverage and taking such other relevant action as may be requested by the Plan Administrator. If a Participant refuses so to cooperate or makes any material misstatement of information or nondisclosure of medical history, then no benefits will be payable hereunder to such Participant (or the Participant's Beneficiary), provided that, in the Plan Administrator's sole discretion, benefits may be payable in an amount reduced to compensate SYKES for any loss, cost, damage or expense suffered or incurred by SYKES as a result in any way of such action, misstatement or nondisclosure.

(m) **Lost Participants or Beneficiaries**. Any Participant or Beneficiary who is entitled to a benefit from the Plan has the duty to keep the Plan Administrator advised of a current mailing address. If benefit payments are returned to the Plan or are not presented for payment after a reasonable amount of time, the Plan Administrator shall presume that the payee is missing. The Plan Administrator, after making such efforts as in its discretion it deems reasonable and appropriate to locate the payee, shall stop payment on any uncashed checks and may discontinue making future payments until contact with the payee is restored.

(n) **Election Forms**. Any election by a Participant under Article V or Article VII shall be made on a form or forms, or other designated means, written or electronic, as prescribed by the Plan Administrator (the terms of which are incorporated herein by reference), and shall specify the amounts of Compensation to be deferred and the timing and form of payment as applicable. Such "other designated means" may include, but not be limited to, an offer letter, interactive voice response, internet, intranet, and other designated electronic means.

(o) **Plan Expenses**. A Participant's Deferred Compensation Account may be charged from time to time with the Participant's share of reasonable fees and expenses related to the administration of the Plan, as determined by the Administrator.

IN WITNESS WHEREOF, SYKES has caused this Plan to be executed by its duly authorized officer on this _15th_ day of _August_, 2017.

SYKES ENTERPRISES, INCORPORATED

By: */S/ James T. Holder*
James T. Holder

Title: Executive Vice President and Corporate Secretary

"SYKES"

Exhibit 15

November 9, 2017

Sykes Enterprises, Incorporated
400 North Ashley Drive
Tampa, Florida

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Sykes Enterprises, Incorporated and subsidiaries for the periods ended September 30, 2017, and 2016, as indicated in our report dated November 9, 2017; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, is incorporated by reference in Registration Statement No. 333-178670 on Form S-8.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

Tampa, Florida

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a)

I, Charles E. Sykes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sykes Enterprises, Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: November 9, 2017

/s/ Charles E. Sykes

Charles E. Sykes, President, Chief Executive Officer and Director

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a)

I, John Chapman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sykes Enterprises, Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: November 9, 2017

/s/ John Chapman

John Chapman, Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Sykes Enterprises, Incorporated (the “Company”) on Form 10-Q for the period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Charles E. Sykes, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2017 By: /s/ Charles E. Sykes

Charles E. Sykes
President and Chief Executive Officer and Director

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Sykes Enterprises, Incorporated (the "Company") on Form 10-Q for the period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Chapman, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2017 By: /s/ John Chapman

John Chapman
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.