LOWES COMPANIES INC
Form 8-K
November 14, 2018

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) November 8, 2018
LOWE'S COMPANIES, INC.
(Exact name of registrant as specified in its charter)

North Carolina	1-7898	56-0578072
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1000 Lowe's Blvd., Mooresville, NC	28117
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (704) 758-1000
Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).
o Emerging growth company
o 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.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(b) On November 8, 2018, Marshall O. Larsen, 70, a member of the board of directors of Lowe's Companies, Inc. (the "Company") since 2004, informed the Company that he will not stand for re-election as a director at the upcoming annual meeting of shareholders to be held in May 2019 (the "2019 Annual Meeting"). Mr. Larsen's decision not to stand for re-election was not a result of a disagreement with the Company. Mr. Larsen has indicated his intention to continue to serve as a director of the Company until the 2019 Annual Meeting.

The Company's board of directors intends to reduce its size to 12 members to be effective on the date of the 2019 Annual Meeting to be held in May 2019.

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 hereunto duly authorized.

LOWE’S COMPANIES, INC.

Date: November 14, 2018 By: /s/ Ross W. McCanless
Ross W. McCanless
Executive Vice President, General Counsel and Corporate Secretary

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Income from operations

90,180

96,475

101,399

Other income (expense)

Interest income

1,090

1,769

2,560

Interest expense

(7,538)

(6,946)

(7,513)

Loss on deconsolidation of subsidiary

—

—

(3,655)

Other income (expense), net

2,157

9,161

(722)

Total other income (expense)

(4,291)

3,984

(9,330)

Income before income taxes

85,889

100,459

92,069

Provision for income taxes

(20,004)

(23,042)

(20,598)

Net income

65,885

77,417

71,471

Net income attributable to noncontrolling interest

(4,219)

(5,124)

(4,083)

Net income attributable to TeleTech stockholders

$

61,666

$

72,293

$

67,388

Other comprehensive income (loss)

Net income

$

65,885

$

77,417

$

71,471

Foreign currency translation adjustments

(38,200)

(23,120)

(26,342)

Derivative valuation, gross

(15,768)

(16,970)

(29,465)

Derivative valuation, tax effect

7,228

6,978

11,554

Other, net of tax

(2,707)

1,076

598

Total other comprehensive income (loss)

(49,447)

(32,036)

(43,655)

Total comprehensive income (loss)

16,438

45,381

27,816

Less: Comprehensive income attributable to noncontrolling interest

(3,026)

(4,163)

(3,995)

Comprehensive income (loss) attributable to TeleTech stockholders

$

13,412

$

41,218

$

23,821

Weighted average shares outstanding

Basic

48,370

49,297

51,338

Diluted

49,011

50,102

52,244

Net income per share attributable to TeleTech stockholders

Basic

$

1.27

$

1.47

$

1.31

Diluted

$

1.26

$

1.44

$

1.29

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

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

(Amounts in thousands)

	Stockholders' Equity of the Company									
	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling interest	Tot
of 31,	—	$ —	52,288	$ 522	$ (428,716)	$ 350,714	$ 22,981	$ 540,791	$ 12,978	$
e	—	—	—	—	—	—	—	67,388	3,601	
to lling	—	—	—	—	—	—	—	—	(4,183)	
of g lling	—	—	—	—	—	3,715	—	—	(4,140)	
ts to n y e lling	—	—	—	—	—	—	—	(1,677)	—	
dation iary	—	—	—	—	—	—	—	—	(121)	
ts	—	—	—	—	—	—	(26,254)	—	(88)	
s net of	—	—	—	—	—	—	(17,911)	—	—	
tock	—	—	455	5	6,530	(11,509)	—	—	—	
f ons	—	—	91	1	1,294	(433)	—	—	—	
m	—	—	—	—	—	787	—	—	—	

ed ed ion	—	—	—	—	—	13,107	—	—	34	
of tock	—	—	(2,481)	(25)	(56,507)	—	—	—	—	
of tax	—	—	—	—	—	—	598	—	—	
of 31,	—	$ —	50,353	$ 503	$ (477,399)	$ 356,381	$ (20,586)	$ 606,502	$ 8,081	$
e	—	—	—	—	—	—	—	72,293	4,512	
to ling	—	—	—	—	—	—	—	—	(4,275)	
nts to n y e ling	—	—	—	—	—	—	—	(936)	—	
ts	—	—	—	—	—	—	(22,771)	—	(349)	
s net of	—	—	—	—	—	—	(9,993)	—	—	
stock	—	—	396	4	5,979	(11,362)	—	—	—	
f ons	—	—	58	1	876	(434)	—	—	—	
m ed	—	—	—	—	—	1,015	—	—	—	
ed ion	—	—	—	—	—	11,192	—	—	14	
of tock	—	—	(2,354)	(23)	(57,051)	—	—	—	—	
of tax	—	—	—	—	—	—	1,076	—	—	
of 31,	—	$ —	48,453	$ 485	$ (527,595)	$ 356,792	$ (52,274)	$ 677,859	$ 7,983	$
e	—	—	—	—	—	—	—	61,666	3,382	
to ers	—	—	—	—	—	—	—	(17,423)	—	

hare)										
to lling	—	—	—	—	—	—	—	—	(3,960)	
nts to n y e lling	—	—	—	—	—	—	—	(1,113)	—	
ts	—	—	—	—	—	—	(37,844)	—	(356)	
s net of	—	—	—	—	—	—	(8,540)	—	—	
tock	—	—	372	4	5,768	(10,016)	—	—	—	
f ons	—	—	342	3	5,307	(9,737)	—	—	—	
m ed	—	—	—	—	—	(823)	—	—	—	
ed ion	—	—	—	—	—	11,035	—	—	152	
of tock	—	—	(686)	(7)	(17,224)	—	—	—	—	
of tax	—	—	—	—	—	—	(2,707)	—	—	
of 31,	—	$ —	48,481	$ 485	$ (533,744)	$ 347,251	$ (101,365)	$ 720,989	$ 7,201	$

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

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Amounts in thousands)

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities			
Net income	$ 65,885	$ 77,417	$ 71,471
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	63,808	56,538	46,063
Amortization of contract acquisition costs	900	856	1,160
Amortization of debt issuance costs	712	705	659
Imputed interest expense and fair value adjustments to contingent consideration	716	(6,233)	3,301
Provision for doubtful accounts	1,465	633	695
(Gain) loss on disposal of assets	(166)	141	—
Impairment losses	8,100	373	1,205
Deferred income taxes	9,317	9,514	6,892
Excess tax benefit from equity-based awards	(662)	(1,399)	(1,343)
Equity-based compensation expense	11,304	11,307	13,234
(Gain) loss on foreign currency derivatives	(1,469)	(1,548)	234
Loss on deconsolidation of subsidiary, net of cash of zero, zero, and $897, respectively	—	—	2,758
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	(19,867)	(41,005)	7,291
Prepaids and other assets	(5,379)	(5,300)	(5,374)
Accounts payable and accrued expenses	11,941	(8,115)	(2,549)
Deferred revenue and other liabilities	(12,855)	206	(7,718)
Net cash provided by operating activities	133,750	94,090	137,979
Cash flows from investing activities			
Proceeds from sale of long-lived assets	202	135	—
Purchases of property, plant and equipment, net of acquisitions	(66,595)	(67,641)	(50,364)
Investments in non-marketable equity investments	(9,000)	—	—
Acquisitions, net of cash acquired of zero, $3,525, and $6,423, respectively	(1,776)	(24,416)	(9,166)
Net cash used in investing activities	(77,169)	(91,922)	(59,530)
Cash flows from financing activities			
Proceeds from line of credit	2,262,350	2,077,400	1,533,550
Payments on line of credit	(2,262,350)	(2,077,400)	(1,541,550)
Proceeds from other debt	—	—	3,709
Payments on other debt	(3,222)	(4,504)	(5,789)

Payments of contingent consideration related to acquisitions	(11,883)	(8,547)	—
Dividends paid to shareholders	(17,423)	—	—
Payments to noncontrolling interest	(4,593)	(5,962)	(4,455)
Proceeds from exercise of stock options	825	443	862
Excess tax benefit from equity-based awards	662	1,399	1,343
Payments of debt issuance costs	(35)	—	(1,800)
Purchase of treasury stock	(17,231)	(57,074)	(56,532)
Net cash used in financing activities	(52,900)	(74,245)	(70,662)
Effect of exchange rate changes on cash and cash equivalents	(20,693)	(8,624)	(14,255)
Decrease in cash and cash equivalents	(17,012)	(80,701)	(6,468)
Cash and cash equivalents, beginning of period	77,316	158,017	164,485
Cash and cash equivalents, end of period	$ 60,304	$ 77,316	$ 158,017
Supplemental disclosures			
Cash paid for interest	$ 6,052	$ 5,404	$ 4,220
Cash paid for income taxes	$ 15,178	$ 14,545	$ 16,757
Non-cash investing and financing activities			
Acquisition of long-lived assets through capital leases	$ 10,492	$ 696	—
Acquisition of equipment through increase in accounts payable, net	$ 386	$ 4,170	$ 2,762
Landlord incentives credited to deferred rent	$ —	$ —	$ 1,016
Contract acquisition costs credited to accounts receivable	$ 1,055	$ 471	1,000

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

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(1)OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview

TeleTech Holdings, Inc. and its subsidiaries ("TeleTech" or the "Company") is a customer engagement management services provider, delivering integrated consulting, technology, growth and customer care solutions on a global scale. Our suite of products and services allows us to design and deliver engaging, outcome-based customer experiences across numerous interaction channels. TeleTech's 44,000 employees serve clients in the automotive, communication, financial services, government, healthcare, logistics, media and entertainment, retail, technology, transportation and travel industries via operations in the U.S., Australia, Belgium, Brazil, Bulgaria, Canada, China, Costa Rica, Germany, Hong Kong, Ireland, Israel, Lebanon, Macedonia, Mexico, New Zealand, the Philippines, Poland, Singapore, South Africa, Thailand, Turkey, the United Arab Emirates, and the United Kingdom.

Basis of Presentation

The Consolidated Financial Statements are comprised of the accounts of TeleTech, its wholly owned subsidiaries, its 55% equity owned subsidiary Percepta, LLC, its 80% interest in iKnowtion, LLC, and its 80% interest in Peppers & Rogers Group through the third quarter of 2013 when the final 20% interest was repurchased (see Note 2). All intercompany balances and transactions have been eliminated in consolidation.

During the three months ended June 30, 2015, the Company recorded an additional expense of $1.75 million as an additional estimated tax liability that should have been recorded in prior periods related to ongoing discussions with relevant government authorities related to site compliance with tax advantaged status. The total amount of $1.75 million should have been recorded as additional tax expense in the amount of $466 thousand in 2012, $406 thousand in 2013, $645 thousand in 2014 and $234 thousand in the first quarter of 2015.

During the three months ended June 30, 2015, the Company recorded an additional $3.2 million loss related to foreign currency translation within Other comprehensive income (loss) that should have been recorded in 2014 and the three months ended March 31, 2015 to correct for an error in translating the financial results of Sofica Group AD, which the Company acquired on February 28, 2014. Of the $3.2 million recorded, approximately $1.7 million and $1.5 million should have been recorded in the year ended December 31, 2014, and the three months ended March 31, 2015, respectively. The Company also recorded an additional $2.7 million loss to "Other, net of tax" within Other comprehensive income (loss) in the three months ended March 31, 2015 and the nine months ended September 30, 2015 related to the annual actuarial analysis for the Company's Philippines pension liability that should have been recorded in the fourth quarter of 2014.

During the three months ended December 31, 2015, the Company recorded an additional $2.9 million impairment to correct for an error in the goodwill impairment annual assessment and quarterly assessment for the WebMetro reporting unit. The Company should have recorded a $2.3 million impairment in the three months ended December 31, 2014 and an additional $0.6 million impairment in the three months ended September 30, 2015.

The Company has evaluated the aggregate impact of these adjustments and concluded that these adjustments were not material to the previously issued or current period Consolidated Financial Statements.

Use of Estimates

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the U.S. (“GAAP”) requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. On an on-going basis, the Company evaluates its estimates including those related to derivatives and hedging activities, income taxes including the valuation allowance for deferred tax assets, self-insurance reserves, litigation reserves, restructuring reserves, allowance for doubtful accounts, contingent consideration, and valuation of goodwill, long-lived and intangible assets. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

basis for making judgments about the carrying values of assets and liabilities. Actual results may differ materially from these estimates under different assumptions or conditions.

Concentration of Credit Risk

The Company is exposed to credit risk in the normal course of business, primarily related to accounts receivable and derivative instruments. Historically, the losses related to credit risk have been immaterial. The Company regularly monitors its credit risk to mitigate the possibility of current and future exposures resulting in a loss. The Company evaluates the creditworthiness of its clients prior to entering into an agreement to provide services and as necessary through the life of the client relationship. The Company does not believe it is exposed to more than a nominal amount of credit risk in its derivative hedging activities, as the Company diversifies its activities across six well-capitalized, investment-grade financial institutions.

Fair Value of Financial Instruments

Fair values of cash equivalents and accounts receivable and payable approximate the carrying amounts because of their short-term nature.

Cash and Cash Equivalents

The Company considers all cash and highly liquid short-term investments with an original maturity of 90 days or less to be cash equivalents. The Company manages a centralized global treasury function in the United States with a focus on concentrating and safeguarding its global cash and cash equivalents. While the majority of the Company’s cash is held outside the U.S., the Company prefers to hold U.S. Dollars in addition to the local currencies of the foreign subsidiaries. The Company believes that it has effectively mitigated and managed its risk relating to its global cash through its cash management practices, banking partners, and utilization of diversified, high quality investments. However, the Company can provide no assurances that it will not sustain losses.

Accounts Receivable

An allowance for doubtful accounts is determined based on the aging of the Company’s accounts receivable, historical experience, client financial condition, and management judgment. The Company writes off accounts receivable against the allowance when the Company determines a balance is uncollectible.

Derivatives

The Company enters into foreign exchange forward and option contracts to reduce its exposure to foreign currency exchange rate fluctuations that are associated with forecasted revenue earned in foreign locations. The Company also enters into interest rate derivatives which consist of interest rate swaps to reduce the Company’s exposure to interest rate fluctuations associated with its variable rate debt. Upon proper qualification, these contracts are designated as cash flow hedges. The Company formally documents at the inception of the hedge all relationships between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedging activities.

All derivative financial instruments are reported at fair value and recorded in Prepaids and other current assets, Other assets, Other current liabilities, and Other liabilities in the accompanying Consolidated Balance Sheets as applicable for each period end. Changes in fair value of derivative instruments designated as cash flow hedges are recorded in Accumulated other comprehensive income (loss), a component of Stockholders' Equity, to the extent they are deemed effective. Ineffectiveness is measured based on the change in fair value of the forward contracts and the fair value of the hypothetical derivatives with terms that match the critical terms of the risk being hedged. Based on the criteria established by current accounting standards, the Company's cash flow hedge contracts are deemed to be highly effective. Any realized gains or losses resulting from the foreign currency cash flow hedges are recognized together with the hedged transaction within Revenue. Any realized gains or losses from the interest rate swaps are recognized in interest income (expense). Gains and losses from the settlements of the Company's net investment hedges remain in Accumulated other comprehensive income (loss) until partial or complete liquidation of the applicable net investment.

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Notes to the Consolidated Financial Statements

The Company also enters into fair value derivative contracts that hedge against foreign currency exchange gains and losses primarily associated with short-term payables and receivables. Changes in the fair value of derivative instruments designated as fair value hedges affect the carrying value of the asset or liability hedged, with changes in both the derivative instrument and the hedged asset or liability being recognized in Other income (expense), net in the accompanying Consolidated Statements of Comprehensive Income (Loss).

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and amortization. Maintenance, repairs and minor renewals are expensed as incurred.

Depreciation and amortization are computed on the straight-line method based on the following estimated useful lives:

Building	25 years
Computer equipment and software	3 to 7 years
Telephone equipment	4 to 7 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of economic useful life (typically 10 years) or original lease term
Other	3 to 7 years

The Company evaluates the carrying value of property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An asset is considered to be impaired when the forecasted undiscounted cash flows of an asset group are estimated to be less than its carrying value. The amount of impairment recognized is the difference between the carrying value of the asset group and its fair value. Fair value estimates are based on assumptions concerning the amount and timing of forecasted future cash flows.

Software Development Costs

The Company capitalizes costs incurred to acquire or develop software for internal use. Capitalized software development costs are amortized using the straight-line method over the estimated useful life equal to the lesser of the license term or 4 years. The amortization expense is recorded in Depreciation and amortization in the accompanying Consolidated Statements of Comprehensive Income (Loss).

Goodwill

The Company evaluates goodwill for possible impairment at least annually on December 1, and whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company uses a three step process to assess the realizability of goodwill. The first step, Step 0, is a qualitative assessment that analyzes current economic indicators associated with a particular reporting unit. For example, the Company analyzes changes in economic, market and industry conditions, business strategy, cost factors, and financial performance, among others, to determine if there would be a significant decline to the fair value of a particular reporting unit. A qualitative assessment also includes analyzing the excess fair value of a reporting unit over its carrying value from impairment assessments performed in previous years. If the qualitative assessment indicates a stable or improved fair value, no further testing is required.

If a qualitative assessment indicates that a significant decline to fair value of a reporting unit is more likely than not, or if a reporting unit's fair value has historically been closer to its carrying value, the Company will proceed to Step 1 testing where the Company calculates the fair value of a reporting unit. If Step 1 indicates that the carrying value of a reporting unit is in excess of its fair value, the Company will proceed to Step 2 where the fair value of the reporting unit will be allocated to assets and liabilities as they would in a business combination. Impairment occurs when the carrying amount of goodwill exceeds its estimated fair value calculated in Step 2.

Other Intangible Assets

The Company has other intangible assets that include customer relationships (definite-lived) and trade names (indefinite-lived and definite-lived) and non-compete agreements (definite-lived). Definite-lived intangible assets

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

are amortized on a straight-line basis over their estimated useful lives, which range from four to 11 years. The Company evaluates the carrying value of its definite-lived intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A definite-lived intangible asset is considered to be impaired when the forecasted undiscounted cash flows of its asset group are estimated to be less than its carrying value.

The Company evaluates indefinite-lived intangible assets for possible impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Similar to goodwill, the Company may first use a qualitative analysis to assess the realizability of its indefinite-lived intangible assets. The qualitative analysis will include a review of changes in economic, market and industry conditions, business strategy, cost factors, and financial performance, among others, to determine if there would be a significant decline to the fair value of an indefinite-lived intangible asset. If a quantitative analysis is completed, an indefinite-lived intangible asset (a trade name) is evaluated for possible impairment by comparing the fair value of the asset with its carrying value. Fair value is estimated as the discounted value of future revenues arising from a trade name using a royalty rate that a market participant would pay for use of that trade name. An impairment charge is recorded if the trade name's carrying value exceeds its estimated fair value.

Self Insurance Liabilities

The Company self-insures for certain levels of workers' compensation, employee health, property, errors and omissions, cyber risks, and general liability insurance. The Company records estimated liabilities for these insurance lines based upon analyses of historical claims experience. The most significant assumption the Company makes in estimating these liabilities is that future claims experience will emerge in a similar pattern with historical claims experience. The liabilities related to workers' compensation and employee health insurance are included in Accrued employee compensation and benefits in the accompanying Consolidated Balance Sheets. The liability for other general liability insurance is included in Other accrued expenses in the accompanying Consolidated Balance Sheets.

Restructuring Liabilities

The Company routinely assesses the profitability and utilization of its delivery centers and existing markets. In some cases, the Company has chosen to close under-performing delivery centers and complete reductions in workforce to enhance future profitability. Severance payments that occur from reductions in workforce are in accordance with the Company's postemployment plans and/or statutory requirements that are communicated to all employees upon hire date; therefore, severance liabilities are recognized when they are determined to be probable and reasonably estimable. Other liabilities for costs associated with an exit or disposal activity are recognized when the liability is incurred, rather than upon commitment to a plan.

Income Taxes

Accounting for income taxes requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the Consolidated Financial Statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Gross deferred tax assets may then be reduced by a valuation allowance for amounts that do not satisfy the realization criteria established by current accounting standards.

The Company accounts for uncertain tax positions using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained on audit. The second step is to estimate and measure the tax benefit as the amount that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority. The Company evaluates these uncertain tax positions on a quarterly basis. This evaluation is based on the consideration of several factors including changes in facts or circumstances, changes in applicable tax law, and settlement of issues under audit. The Company recognizes interest and penalties related to uncertain tax positions as a part of the Provision for income taxes in the accompanying Consolidated Statements of Comprehensive Income (Loss).

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Company provides for U.S. income tax expense on the earnings of foreign subsidiaries unless the subsidiaries' earnings are considered permanently reinvested outside the U.S.

Equity-Based Compensation Expense

Equity-based compensation expense for all share-based payment awards granted is determined based on the grant-date fair value net of an estimated forfeiture rate on a straight-line basis over the requisite service period of the award, which is typically the vesting term of the share-based payment award. The Company estimates the forfeiture rate annually based on its historical experience of forfeited awards.

Foreign Currency Translation

The assets and liabilities of the Company's foreign subsidiaries, whose functional currency is not the U.S. Dollar, are translated at the exchange rates in effect on the last day of the period and income and expenses are translated using the monthly average exchange rates in effect for the period in which the items occur. Foreign currency translation gains and losses are recorded in Accumulated other comprehensive income (loss) within Stockholders' Equity. Foreign currency transaction gains and losses are included in Other income (expense), net in the accompanying Consolidated Statements of Comprehensive Income (Loss).

Revenue Recognition

The Company recognizes revenue when evidence of an arrangement exists, the delivery of service has occurred, the fee is fixed or determinable and collection is reasonably assured. The BPO inbound and outbound service fees are based on either a per minute, per hour, per transaction or per call basis. Certain client programs provide for adjustments to monthly billings based upon whether the Company achieves, exceeds or fails certain performance criteria. Adjustments to monthly billings consist of contractual bonuses/penalties, holdbacks and other performance based contingencies. Revenue recognition is limited to the amount that is not contingent upon delivery of future services or meeting other specified performance conditions.

Revenue also consists of services for agent training, program launch, professional consulting, fully-hosted or managed technology and learning innovation services. These service offerings may contain multiple element arrangements whereby the Company determines if those service offerings represent separate units of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value and delivery or performance of the undelivered items is considered probable and substantially within our control. If those deliverables are determined to be separate units of accounting, revenue is recognized as services are provided. If those deliverables are not determined to be separate units of accounting, revenue for the delivered services are bundled into one unit of accounting and recognized over the life of the arrangement or at the time all services and deliverables have been delivered and satisfied. The Company allocates revenue to each of the deliverables based on a selling price hierarchy of vendor specific objective evidence ("VSOE"), third-party evidence, and then estimated selling price. VSOE is based on the price charged when the deliverable is sold separately. Third-party evidence is based on largely interchangeable competitor services in standalone sales to similarly situated customers. Estimated selling price is based on the Company's best estimate of what the selling prices of deliverables would be if they were sold regularly on a standalone basis. Estimated selling price is established considering multiple factors including, but not limited to, pricing practices in different geographies, service offerings, and customer classifications. Once the Company allocates revenue to each deliverable, the Company recognizes revenue when all revenue recognition criteria are met.

Deferred Revenue and Costs

The Company records amounts billed and received, but not earned, as deferred revenue. These amounts are recorded in Deferred revenue or as a component of Other long-term liabilities in the accompanying Consolidated Balance Sheets based on the period over which the Company expects to render services.

We defer revenue for initial training that occurs upon commencement of a new contract if that training is billed separately because the training is not considered to provide standalone value from other services. Accordingly, the corresponding training costs, consisting primarily of labor and related expenses, are also deferred. In these circumstances, both the training revenue and costs are amortized straight-line over the life of the contract as a component of Revenue and Cost of services, respectively. In situations where these initial training costs are not billed separately, but rather included in the hourly service rates paid by the client over the life of the contract, no deferral is necessary as the revenue is being recognized over the life of the contract and the associated training costs are expensed as incurred.

Rent Expense

The Company has negotiated certain rent holidays, landlord/tenant incentives and escalations in the base price of rent payments over the initial term of its operating leases. The initial term includes the "build-out" period of leases, where no rent payments are typically due. The Company recognizes rent holidays and rent escalations on a straight-line basis to rent expense over the lease term. The landlord/tenant incentives are recorded as an increase to deferred rent liabilities and amortized on a straight line basis to rent expense over the initial lease term.

Asset Retirement Obligations

Asset retirement obligations relate to legal obligations associated with the retirement of long-lived assets resulting from the acquisition, construction, development and/or normal use of the underlying assets.

The Company records all asset retirement obligations at estimated fair value. The Company's asset retirement obligations primarily relate to clauses in its delivery center operating leases which require the Company to return the leased premises to its original condition. The associated asset retirement obligations are capitalized as part of the carrying amount of the underlying asset and depreciated over the estimated useful life of the asset. The liability, reported within Other long-term liabilities, is accreted through charges to operating expenses. If the asset retirement obligation is settled for an amount other than the carrying amount of the liability, the Company recognizes a gain or loss on settlement.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers". ASU 2014-09 provides new guidance related to how 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. In addition, ASU 2014-09 specifies new accounting for costs associated with obtaining or fulfilling contracts with customers and expands the required disclosures related to revenue and cash flows from contracts with customers. This new guidance was effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption, with early application not permitted. The Company is currently determining its implementation approach and assessing the impact on the consolidated financial statements.

In August 2015, the FASB issued ASU 2015-04, "Deferral of Effective Date". ASU 2015-04 defers the effective date of ASU 2014-09 for revised revenue recognition by one year which means it will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2017.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs". ASU 2015-03 requires all costs incurred in connection with the issuance of debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. This ASU is effective for interim and annual periods beginning on or after December 15, 2015 and early adoption is permitted. Beginning in 2016, the Company will apply the new guidance as applicable and does not expect adoption of this standard to have a material impact on its financial position, results of operations or related disclosures.

In September 2015, the FASB issued ASU 2015-16, “Simplifying the Accounting for Measurement-Period Adjustments”. ASU 2015-16 requires that the cumulative impact of all measurement period adjustments be recorded in the period in which the adjustment is identified. This change eliminates the requirement to restate prior financial statements. The ASU is effective for interim and annual periods beginning on or after December 15, 2015 and can be early adopted for periods for which the financial statements have not yet been issued. The Company took advantage of the early adoption provision and adopted the standard during the quarter ended September 30, 2015. It did not have a material impact on its financial position, results of operations or related disclosures.

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In November 2015, the FASB issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes”, which simplifies the presentation of deferred income taxes. This ASU requires that deferred tax assets and liabilities be classified as non-current in a statement of financial position. The Company early adopted ASU 2015-17 effective December 31, 2015 on a prospective basis. Adoption of this ASU resulted in a reclassification of the Company’s net current deferred tax asset to the net non-current deferred tax asset in its Consolidated Balance Sheet as of December 31, 2015. No prior periods were retrospectively adjusted. See additional discussion in Note 10 Income Taxes.

In February 2016, the FASB issued ASU 2016-02 “Leases”, which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets related to the rights and obligations created by those leases and making targeted changes to lessor accounting. The ASU also requires new disclosures to regarding the amounts, timing, and uncertainty of cash flows arising from leases. The ASU is effective for interim and annual periods beginning on or after December 15, 2018 and early adoption is permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently determining its implementation approach and assessing the impact on the consolidated financial statements and related disclosures.

(2)ACQUISITIONS

rogenSi

In the third quarter of 2014, as an addition to the Customer Strategy Services (“CSS”) segment, the Company acquired substantially all operating assets of rogenSi Worldwide PTY, Ltd., a global leadership, change management, sales, performance training and consulting company.

The total purchase price was \$34.3 million, subject to certain working capital adjustments, and consists of \$18.0 million in cash at closing and an estimated \$14.5 million in three earn-out payments, contingent on the acquired companies and TeleTech’s CSS segment achieving certain agreed earnings before interest, taxes, depreciation and amortization (“EBITDA”) targets, as defined in the sale and purchase agreement. Additionally, the estimated purchase price included a \$1.8 million hold-back payment for contingencies as defined in the sale and purchase agreement which will be paid in the first quarter of 2016, if required. The total contingent consideration possible per the sale and purchase agreement ranges from zero to \$17.6 million and the earn-out payments are payable in early 2015, 2016 and 2017, based on July 1, 2014 through December 31, 2014, and full year 2015 and 2016 performance, respectively.

The fair value of the contingent consideration was measured by applying a probability weighted discounted cash flow model based on significant inputs not observable in the market (Level 3 inputs). Key assumptions include a discount rate of 4.6% and expected future value of payments of \$15.3 million. The \$15.3 million of expected future payments was calculated using a probability weighted EBITDA assessment with the highest probability associated with rogenSi achieving the targeted EBITDA for each earn-out year. As of the acquisition date, the fair value of the contingent consideration was approximately \$14.5 million. During the fourth quarter of 2014, the third quarter of 2015, and the fourth quarter of 2015, the Company recorded fair value adjustments of the contingent consideration of \$0.5 million, \$0.8 million, and \$(0.3) million, respectively, based on revised estimates noting higher or lower probability of exceeding the EBITDA targets (see Note 9). As of December 31, 2015, the fair value of the contingent consideration was \$9.8 million, of which \$5.7 million and \$4.1 million were included in Other accrued expenses and Other long-term liabilities in the accompanying Consolidated Balance Sheets, respectively.

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Notes to the Consolidated Financial Statements

The following summarizes the fair values of the identifiable assets acquired and liabilities assumed as of the acquisition date (in thousands):

	Acquisition Date Fair Value
Cash	$ 2,670
Accounts receivable, net	6,417
Other assets	2,880
Property, plant and equipment	578
Deferred tax assets, net	449
Customer relationships	6,331
Tradename / trademarks	5,545
Non-compete agreements	927
Goodwill	17,260
	43,057
Accounts payable	708
Accrued employee compensation and benefits	2,203
Accrued expenses	1,146
Other	4,597
	8,654
Total purchase price	$ 34,403

In the third quarter of 2015, the Company finalized its valuation of rogenSi for the acquisition date assets acquired and liabilities assumed. The only material adjustment was an increase to the balances for tradename/ trademarks, customer relationships and non-compete agreements by $3.4 million and a resulting decrease to goodwill of $3.4 million. In connection with this valuation finalization, a reduction to amortization expense of $0.3 million was recorded during the quarter ended September 30, 2015.

The rogenSi customer relationships and non-compete agreements will be amortized over useful life of 70 months and 30 months, respectively. The goodwill recognized from the rogenSi acquisition is attributable, but not limited to, the acquired workforce and expected synergies within CSS. None of the tax basis of the acquired intangibles and goodwill will be deductible for income tax purposes. The acquired goodwill and the operating results of rogenSi are reported within the CSS segment from the date of acquisition.

Sofica

In the first quarter of 2014, as an addition to the Customer Management Services (“CMS”) segment, the Company acquired a 100% interest in Sofica Group, a Bulgarian joint stock company (“Sofica”). Sofica provides customer lifecycle management and other business process services across multiple channels in multiple sites in over 18 languages.

The purchase price of $14.2 million included $9.4 million in cash consideration (including working capital adjustments) and an estimated $3.8 million in earn-out payments, payable in 2015 and 2016, contingent on Sofica achieving specified EBITDA targets, as defined by the stock purchase agreement. The total contingent consideration possible per the stock purchase agreement ranges from zero to $7.5 million. Additionally, the purchase price includes a $1.0 million hold-back payment for contingencies as defined in the stock purchase agreement which will be paid in the second quarter of 2016, if required.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

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The fair value of the contingent consideration was measured based on significant inputs not observable in the market (Level 3 inputs). Key assumptions include a discount rate of 5.0% and expected future value of payments of $4.0 million. The $4.0 million of expected future payments was calculated using a probability weighted EBITDA assessment with the highest probability associated with Sofica achieving the targeted EBITDA for each earn-out year. As of the acquisition date, the fair value of the contingent consideration was approximately $3.8 million. During the third and fourth quarters of 2014, the Company recorded fair value adjustments of the contingent consideration of $1.8 million and $0.6 million, respectively based on revised estimates noting higher probability of exceeding the EBITDA targets (see Note 9). During the second quarter of 2015, the Company recorded a negative fair value adjustment for contingent consideration of $0.5 million based on revised estimates noting lower profitability than initially estimated. As of December 31, 2015, the fair value of the remaining contingent consideration was $3.2 million, which was included in Other accrued expenses in the accompanying Consolidated Balance Sheets.

In the first quarter of 2015, the Company finalized its valuation of Sofica for the acquisition date assets acquired and liabilities assumed. There were no material measurement period adjustments in 2015.

Other Acquisitions

WebMetro

In the third quarter of 2013, as an addition to the Customer Growth Services ("CGS") segment, the Company acquired 100% of WebMetro, a California corporation ("WebMetro"), a digital marketing agency.

The total purchase price was $17.8 million.

The Company was obligated to make earn-out payments during 2014 and 2015 if WebMetro achieved specified EBITDA targets, as defined by the stock purchase agreement. The fair value of the contingent payments was measured based on significant inputs not observable in the market (Level 3 inputs). Key assumptions include a discount rate of 5.3% and expected future value of payments of $2.6 million. The $2.6 million of expected future payments was calculated using probability weighted EBITDA assessment with the highest probability associated with WebMetro achieving the targeted EBITDA for each earn-out year. As of the acquisition date, the fair value of the contingent payments was approximately $2.5 million. The first contingent payment of $1.0 million was completed in the second quarter of 2014. During the third quarter of 2014, the Company recorded a fair value adjustment to reduce the contingent consideration by $1.7 million based on revised estimates noting the achievement of the EBITDA target was remote (see Note 9). As of December 31, 2014, the fair value of the remaining contingent consideration was zero.

In the third quarter of 2014, the Company finalized its valuation of WebMetro for the acquisition date assets acquired and liabilities assumed. There were no material measurement period adjustments in 2014.

Financial Impact of Acquired Businesses

The acquired businesses purchased in 2014 and 2013 noted above contributed revenues of $65.9 million, $43.2 million, and $6.4 million, and income from operations of $0.6 million, $5.3 million, and $0.9 million inclusive of $4.2 million, $3.3 million, and $0.8 million of acquired intangible amortization, to the Company for the years ended December 31, 2015, 2014 and 2013, respectively.

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Notes to the Consolidated Financial Statements

Investments

CaféX

In the first quarter of 2015, the Company invested $9.0 million in CafeX Communications, Inc. (“CaféX”) through the purchase of a portion of the Series B Preferred Stock of CaféX. CaféX is a provider of omni-channel web-based real time communication (WebRTC) solutions that enhance mobile applications and websites with in-app video communication and screen share technology to increase customer satisfaction and enterprise efficiency. TeleTech anticipates deploying the CaféX technology as part of the TeleTech customer experience offerings within the CMS business segment and as part of its Humanify platform. At December 31, 2015, the Company owns 17.2% of the total equity of CaféX. The investment is accounted for under the cost method of accounting. The Company evaluates its investments for possible other-than-temporary impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company tested the investment in CaféX for impairment and concluded that the investment was not impaired at December 31, 2015.

(3)SEGMENT INFORMATION

The Company reports the following four segments:

- the CMS segment includes the customer experience delivery solutions which integrate innovative technology with highly-trained customer experience professionals to optimize the customer experience across all channels and all stages of the customer lifecycle from an onshore, offshore or work-from-home environment;
- the CGS segment provides technology-enabled sales and marketing solutions that support revenue generation across the customer lifecycle, including sales advisory, search engine optimization, digital demand generation, lead qualification, and acquisition sales, growth and retention services;
- the CTS segment includes operational and design consulting, systems integration, and cloud and on-premise managed services, the requirements needed to design, deliver and maintain best-in-class multichannel customer engagement platforms; and
- the CSS segment provides professional services in customer experience strategy, customer intelligence analytics, system and operational process optimization, and culture development and knowledge management.

The Company allocates to each segment its portion of corporate operating expenses. All intercompany transactions between the reported segments for the periods presented have been eliminated.

The following tables present certain financial data by segment (in thousands):

Year Ended December 31, 2015

Depreciation

	Gross Revenue	Intersegment Sales	Net Revenue	& Amortization	Income from Operations
Customer Management Services	$ 913,272	$ —	$ 913,272	$ 44,633	$ 58,018
Customer Growth Services	129,021	—	129,021	6,065	3,077
Customer Technology Services	157,838	(232)	157,606	9,775	13,339
Customer Strategy Services	86,856	—	86,856	3,335	15,746
Total	$ 1,286,987	$ (232)	$ 1,286,755	$ 63,808	$ 90,180

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Year Ended December 31, 2014

	Gross Revenue	Intersegment Sales	Net Revenue	Depreciation & Amortization	Income from Operations
Customer Management Services	$ 923,497	$ —	$ 923,497	$ 40,577	$ 76,792
Customer Growth Services	115,434	—	115,434	6,048	7,255
Customer Technology Services	139,218	(36)	139,182	7,489	4,519
Customer Strategy Services	63,668	—	63,668	2,424	7,909
Total	$ 1,241,817	$ (36)	$ 1,241,781	$ 56,538	$ 96,475

Year Ended December 31, 2013

	Gross Revenue	Intersegment Sales	Net Revenue	Depreciation & Amortization	Income from Operations
Customer Management Services	$ 892,145	$ (1,262)	$ 890,883	$ 33,884	$ 75,689
Customer Growth Services	100,996	—	100,996	4,127	3,024
Customer Technology Services	152,769	(284)	152,485	6,201	19,965
Customer Strategy Services	49,643	(850)	48,793	1,852	2,721
Total	$ 1,195,553	$ (2,396)	$ 1,193,157	$ 46,064	$ 101,399

	For the Year Ended December 31, 2015	2014	2013
Capital Expenditures			
Customer Management Services	$ 56,570	$ 49,630	$ 40,007
Customer Growth Services	4,681	3,195	3,421
Customer Technology Services	4,216	14,423	6,450
Customer Strategy Services	1,128	393	486
Total	$ 66,595	$ 67,641	$ 50,364

	December 31, 2015	2014	2013
Total Assets			
Customer Management Services	$ 512,100	$ 514,957	$ 554,015
Customer Growth Services	75,291	88,394	86,416
Customer Technology Services	159,850	159,441	157,040
Customer Strategy Services	96,086	89,683	44,871
Total	$ 843,327	$ 852,475	$ 842,342

	December 31, 2015	2014	2013
Goodwill			
Customer Management Services	$ 22,009	$ 25,871	$ 19,819
Customer Growth Services	24,439	30,395	30,128
Customer Technology Services	42,709	42,709	42,709
Customer Strategy Services	25,026	29,730	10,087
Total	$ 114,183	$ 128,705	$ 102,743

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

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The following tables present certain financial data based upon the geographic location where the services are provided (in thousands):

	As of and for the Year Ended December 31,		
	2015	2014	2013
Revenue			
United States	$ 679,959	$ 603,297	$ 556,239
Philippines	343,013	348,339	354,942
Latin America	147,267	172,270	176,906
Europe / Middle East / Africa	78,182	83,944	72,644
Asia Pacific	32,554	28,294	18,489
Canada	5,780	5,637	13,937
Total	$ 1,286,755	$ 1,241,781	$ 1,193,157
Property, plant and equipment, gross			
United States	$ 415,918	$ 382,508	$ 337,311
Philippines	140,712	119,482	101,123
Latin America	49,464	67,193	75,618
Europe / Middle East / Africa	14,567	13,367	12,311
Asia Pacific	23,181	26,502	28,195
Canada	16,239	19,299	20,941
Total	$ 660,081	$ 628,351	$ 575,499
Other long-term assets			
United States	$ 34,007	$ 27,728	$ 34,891
Philippines	5,220	5,202	4,408
Latin America	1,161	1,456	5,299
Europe / Middle East / Africa	811	692	311
Asia Pacific	165	1,309	779
Canada	1,122	271	38
Total	$ 42,486	$ 36,658	$ 45,726

(4)ACCOUNTS RECEIVABLE AND SIGNIFICANT CLIENTS

Accounts receivable, net in the accompanying Consolidated Balance Sheets consists of the following (in thousands):

	December 31,	
	2015	2014
Accounts receivable	$ 285,650	$ 279,857
Less: Allowance for doubtful accounts	(2,176)	(3,425)
Accounts receivable, net	$ 283,474	$ 276,432

Activity in the Company's Allowance for doubtful accounts consists of the following (in thousands):

	December 31,		
	2015	2014	2013
Balance, beginning of year	$ 3,425	$ 3,815	$ 3,635
Provision for doubtful accounts	1,465	633	695
Uncollectible receivables written-off	(2,035)	(681)	(315)
Effect of foreign currency	(679)	(342)	(200)
Balance, end of year	$ 2,176	$ 3,425	$ 3,815

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

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Significant Clients

The Company had one client that contributed in excess of 10% of total revenue in the years ended December 31, 2015, 2014 and 2013. This client operates in the communications industry and is included in the Customer Management Services segment. The revenue from this client as a percentage of total revenue was as follows:

	Year Ended December 31,		
	2015	2014	2013
Telecommunications client	10 %	11 %	12 %

Accounts receivable from this client was as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Telecommunications client	$ 23,953	$ 38,400	$ 24,120

The loss of one or more of its significant clients could have a material adverse effect on the Company's business, operating results, or financial condition. The Company does not require collateral from its clients. To limit the Company's credit risk, management performs periodic credit evaluations of its clients and maintains allowances for uncollectible accounts and may require pre-payment for services. Although the Company is impacted by economic conditions in various industry segments, management does not believe significant credit risk exists as of December 31, 2015.

(5)PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following (in thousands):

December 31,

	2015	2014
Land and buildings	$ 38,833	$ 38,833
Computer equipment and software	359,581	334,127
Telephone equipment	41,035	38,925
Furniture and fixtures	62,606	57,411
Leasehold improvements	157,788	158,844
Motor vehicles	238	175
Construction-in-progress and other	-	36
Property, plant and equipment, gross	660,081	628,351
Less: Accumulated depreciation and amortization	(491,792)	(478,139)
Property, plant and equipment, net	$ 168,289	$ 150,212

Depreciation and amortization expense for property, plant and equipment was $54.0 million, $46.9 million and $38.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Included in the computer equipment and software is internally developed software of $18.4 million net and $17.1 million net as of December 31, 2015 and 2014, respectively.

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(6)GOODWILL

Goodwill consisted of the following (in thousands):

	December 31, 2014	Acquisitions / Adjustments	Impairments	Effect of Foreign Currency	December 31, 2015
Customer Management Services	$ 25,871	$ —	$ (1,769)	$ (2,093)	$ 22,009
Customer Growth Services	30,395	—	(5,956)	—	24,439
Customer Technology Services	42,709	—	—	—	42,709
Customer Strategy Services	29,730	(3,600)	—	(1,104)	25,026
Total	$ 128,705	$ (3,600)	$ (7,725)	$ (3,197)	$ 114,183

	December 31, 2013	Acquisitions / Adjustments	Impairments	Effect of Foreign Currency	December 31, 2014
Customer Management Services	$ 19,819	$ 6,358	$ —	$ (306)	$ 25,871
Customer Growth Services	30,128	267	—	—	30,395
Customer Technology Services	42,709	—	—	—	42,709
Customer Strategy Services	10,087	21,210	—	(1,567)	29,730
Total	$ 102,743	$ 27,835	$ —	$ (1,873)	$ 128,705

The adjustment recorded during 2015 relates to the finalization of the purchase price valuation for the rogenSi acquisition which resulted in a decrease in the goodwill balance. See Note 2 for further information.

Impairment

The Company has eleven reporting units with goodwill and performs a goodwill impairment test on at least an annual basis. The Company conducts its annual goodwill impairment test during the fourth quarter, or more frequently, if indicators of impairment exist.

The Company concluded that goodwill for all reporting units was not impaired at December 1, 2014. While no impairment indicators were identified, due to the small margin of fair value in excess of carrying value for two reporting units, Revana (approximately 6%) and WebMetro (approximately 11%) both of which are a part of the CGS segment, these reporting units remain at considerable risk for future impairment if projected operating results are not met or other inputs into the fair value measurement change.

At September 30, 2015, the Company updated its quantitative assessment of these reporting units fair value using an income based approach. The determination of fair value requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term growth rates for the businesses, the useful lives over which the cash flows will occur and determination of appropriate discount rates (based in part on 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. As of September 30, 2015, the updated fair value for Revana is in excess of its carrying value (approximately 23%) and no further analysis is required.

At September 30, 2015, the updated fair value for WebMetro was below the carrying value which necessitated an interim impairment analysis. The Company tested all of the assets of this reporting unit for impairment.

Definite-lived long-lived assets consisted of fixed assets, internally developed software, and an intangible asset related to the WebMetro customer relationships. The Company determined that the undiscounted future cash flows would be sufficient to cover the net book value of all definite-lived long-lived assets.

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For the goodwill impairment analysis, the Company calculated the fair value of the WebMetro reporting unit and compared that to the updated carrying value and determined that the fair value was not in excess of its carrying value. Key assumptions used in the fair value calculation for goodwill impairment testing include, but are not limited to, a compounded annual revenue growth rate of 20% for years 2016 through 2019, a perpetuity growth rate of 4.0% based on the current inflation rate combined with the GDP growth rate for the reporting unit's geographical region and a discount rate of 17.0%, which is equal to the reporting unit's equity risk premium adjusted for its size and company specific risk factors. Estimated future cash flows under the income approach were based on the Company's internal business plan adjusted as appropriate for the Company's view of market participant assumptions. The current business plan assumes the occurrence of certain events, including increased revenue growth for the next several years. Significant differences in the outcome of some or all of these assumptions may impact the calculated fair value of this reporting unit resulting in a different outcome to goodwill impairment in a future period.

Since the fair value of the reporting unit was not in excess of its carrying value, the Company calculated the implied fair value of goodwill and compared that value to the carrying value of goodwill. Implied fair value of goodwill is equal to the excess of the reporting unit's fair value over the amounts assigned to its net identifiable assets and liabilities. Upon completing this assessment, the Company determined that the implied fair value of goodwill was below the carrying value and thus a $3.1 million impairment was recorded in the three months ended September 30, 2015, and was included in Impairment losses in the Consolidated Statements of Comprehensive Income (Loss).

For the annual goodwill impairment analysis, the Company elected to perform a Step 1 evaluation for all of its reporting units, which includes comparing a reporting unit's estimated fair value to its carrying value. The determination of fair value requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term growth rates for the businesses, the useful lives over which the cash flows will occur and determination of appropriate discount rates (based in part on 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. As of December 1, 2015, the date of the annual impairment testing, the Company concluded that for nine of the reporting units the fair values were in excess of their respective carrying values and the goodwill for those reporting units was not impaired.

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. We used an income approach to determine our best estimates of fair value which incorporated the following significant assumptions:

- Revenue projections, including revenue growth during the forecast periods ranging from 3% to 20%;
- EBITDA margin projections held relatively flat over the forecast periods ranging from 10% to 20%;
- Estimated income tax rates of 10% to 40%;
- Estimated capital expenditures ranging from $0.1 million to $30 million; and
- Discount rates ranging from 11.6% to 15.8% based on various inputs, including the risks associated with the specific reporting units, the country of operations as well as their revenue growth and EBITDA margin assumptions.

As of December 1, 2015, during the annual goodwill impairment analysis the Company determined that for the WebMetro reporting unit there was an error in the discounted cash flow analysis regarding the inclusion of amortization of the intangible assets into future years including the perpetuity income calculation. When this error was corrected, the WebMetro fair value was below the carrying value including the impairment recorded as of September 30, 2015. The Company determined the error occurred in past periods and recalculated the adjusted fair value as of

December 1, 2014. Based on this analysis, the fair value was below the carrying value as of December 1, 2014 and a Step 2 impairment analysis was completed. The Company completed the goodwill analysis based on the key assumptions that were used as of December 1, 2014.

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Since the fair value of the reporting unit was not in excess of its carrying value, the Company calculated the implied fair value of goodwill and compared that value to the carrying value of goodwill. Upon completing this assessment, the Company determined that the implied fair value of goodwill was below the carrying value and thus a $2.3 million impairment should have been recorded as of December 1, 2014. Based on these revisions, the third quarter 2015 assessment was also adjusted and additional $0.6 million impairment should have been recorded as of September 30, 2015. These impairments were recorded in the current year in the three months ended December 31, 2015, and were included in Impairment losses in the Consolidated Statements of Comprehensive Income (Loss). As of December 31, 2015, the entire goodwill balance for WebMetro has now been impaired

As of December 1, 2015, the updated fair value for the Latin America reporting unit was below the carrying value which necessitated an impairment analysis. The Company tested all of the assets of this reporting unit for impairment.

Definite-lived long-lived assets consisted of fixed assets and an intangible asset related to customer relationships. The Company determined that the undiscounted future cash flows would be sufficient to cover the net book value of all definite-lived long-lived assets

For the goodwill impairment analysis, the Company calculated the fair value of the Latin America reporting unit and compared that to the updated carrying value and determined that the fair value was not in excess of its carrying value. Key assumptions used in the fair value calculation for goodwill impairment testing include, but are not limited to, a compounded annual revenue growth rate of negative 22% for 2016 followed by 6% for years 2017 through 2020, a perpetuity growth rate of 4% based on the current inflation rate combined with the GDP growth rate for the reporting unit's geographical region and a discount rate of 15.8%, which is equal to the reporting unit's equity risk premium adjusted for its size, country and company specific risk factors. Estimated future cash flows under the income approach were based on the Company's internal business plan adjusted as appropriate for the Company's view of market participant assumptions.

Since the fair value of the Latin America reporting unit was not in excess of its carrying value, the Company calculated the implied fair value of goodwill and compared that value to the carrying value of goodwill. Upon completing this assessment, the Company determined that the implied fair value of goodwill was below the carrying value and the entire goodwill balance of $1.8 million was impaired and recorded in the three months ended December 31, 2015, and included in Impairment losses in the Consolidated Statements of Comprehensive Income (Loss).

(7)OTHER INTANGIBLE ASSETS

Other intangible assets which are included in Other long-term assets in the accompanying Consolidated Balance Sheets consisted of the following (in thousands):

	Acquisitions	Effect of

	December 31, 2014	Amortization	and Adjustments	Foreign Currency	December 31, 2015
Customer relationships, gross	$ 63,914	$ —	$ (2,982)	$ 1,325	$ 62,257
Customer relationships - accumulated amortization	(20,326)	(7,401)	—	(2,453)	(30,180)
Other intangible assets, gross	13,113	—	986	(349)	13,750
Other intangible assets - accumulated amortization	(6,509)	(2,345)	—	99	(8,755)
Trade name - indefinite life	9,713	—	5,544	(1,114)	14,143
Other intangible assets, net	$ 59,905	$ (9,746)	$ 3,548	$ (2,492)	$ 51,215

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	December 31, 2013	Amortization	Acquisitions	Effect of Foreign Currency	December 31, 2014
Customer relationships, gross	$ 50,830	$ —	$ 14,115	$ (1,031)	$ 63,914
Customer relationships - accumulated amortization	(13,547)	(6,779)	—	—	(20,326)
Other intangible assets, gross	11,634	—	1,607	(128)	13,113
Other intangible assets - accumulated amortization	(3,818)	(2,691)	—	—	(6,509)
Trade name - indefinite life	9,713	—	—	—	9,713
Other intangible assets, net	$ 54,812	$ (9,470)	$ 15,722	$ (1,159)	$ 59,905

The adjustments recorded during 2015 relate to the finalization of the purchase price valuation for the rogenSi acquisition which resulted in an increase to the trade name and decrease in the customer relationships intangible assets. See Note 2 for further information.

Customer relationships are being amortized over the remaining weighted average useful life of 4.7 years and other intangible assets are being amortized over the remaining weighted average useful life of 2.4 years. Amortization expense related to intangible assets was $9.7 million, $9.6 million and $7.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Expected future amortization of other intangible assets as of December 31, 2015 is as follows (in thousands):

2016	$ 9,648
2017	7,900
2018	5,987
2019	5,495
2020	3,263
Thereafter	4,779
Total	$ 37,072

In connection with the reorganization of the CSS segment an interim impairment analysis was completed during the second quarter of 2013. The indefinite-lived intangible asset evaluated for impairment consisted of the PRG trade name. The Company calculated the fair value of the trade name using a relief from royalty method based on forecasted revenues sold under the trade name using significant inputs not observable in the market (Level 3 inputs). The valuation assumptions included an estimated royalty rate of 6.0%, a discount rate specific to the trade name of 38.0% and a perpetuity growth rate of 7.0%. Based on the calculated fair value of $5.3 million, the Company recorded impairment expense of $1.1 million in the three months ended June 30, 2013. The Company reevaluated the PRG trade name for impairment as of December 31, 2013. The Company used the same method to fair value the PRG trade name and similar inputs described above. The forecasted revenues used to fair value the PRG trade name changed resulting in a fair value of $5.7 million. This fair value was approximately 7% higher than the book value of $5.3 million. As a result, the Company continues to evaluate the PRG trade name for impairment.

Definite-lived long-lived assets consisted of fixed assets and an intangible asset related to the PRG customer relationships. The Company determined that the undiscounted future cash flows would be sufficient to cover the net book value of all definite-lived long-lived assets upon reorganization of the Customer Strategy Services segment and as of December 31, 2013.

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(8)DERIVATIVES

Cash Flow Hedges

The Company enters into foreign exchange and interest rate related derivatives. Foreign exchange derivatives entered into consist of forward and option contracts to reduce the Company’s exposure to foreign currency exchange rate fluctuations that are associated with forecasted revenue earned in foreign locations. Interest rate derivatives consist of interest rate swaps to reduce the Company’s exposure to interest rate fluctuations associated with its variable rate debt. Upon proper qualification, these contracts are designated as cash flow hedges. It is the Company’s policy to only enter into derivative contracts with investment grade counterparty financial institutions, and correspondingly, the fair value of derivative assets consider, among other factors, the creditworthiness of these counterparties. Conversely, the fair value of derivative liabilities reflects the Company’s creditworthiness. As of December 31, 2015, the Company had not experienced, nor does it anticipate, any issues related to derivative counterparty defaults. The following table summarizes the aggregate unrealized net gain or loss in Accumulated other comprehensive income (loss) for the years ended December 31, 2015, 2014 and 2013 (in thousands and net of tax):

	Year Ended December 31, 2015	2014	2013
Aggregate unrealized net gain/(loss) at beginning of period	$ (18,345)	$ (8,352)	$ 9,559
Add: Net gain/(loss) from change in fair value of cash flow hedges	(16,349)	(12,121)	(13,721)
Less: Net (gain)/loss reclassified to earnings from effective hedges	7,809	2,128	(4,190)
Aggregate unrealized net gain/(loss) at end of period	$ (26,885)	$ (18,345)	$ (8,352)

The Company’s foreign exchange cash flow hedging instruments as of December 31, 2015 and 2014 are summarized as follows (in thousands). All hedging instruments are forward contracts.

As of December 31, 2015	Local Currency Notional Amount	U.S. Dollar Notional Amount		% Maturing in the next 12 months		Contracts Maturing Through
Philippine Peso	16,362,000	361,571	(1)	45.4	%	October 2020
Mexican Peso	2,637,000	173,124		28.7	%	October 2020
		$ 534,695				

As of December 31, 2014	Local Currency Notional Amount	U.S. Dollar Notional Amount	
Canadian Dollar	1,500	$ 1,441	
Philippine Peso	17,428,000	398,046	(1)
Mexican Peso	2,532,000	179,089	
New Zealand Dollar	490	381	
		$ 578,957	

(1) Includes contracts to purchase Philippine pesos in exchange for New Zealand dollars and Australian dollars, which are translated into equivalent U.S. dollars on December 31, 2015 and December 31, 2014.

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The Company’s interest rate swap arrangements as of December 31, 2015 and 2014 were as follows:

	Notional Amount	Variable Rate Received	Fixed Rate Paid	Contract Commencement Date	Contract Maturity Date
Swap 1	$ 25 million	1 - month LIBOR	2.55 %	April 2012	April 2016
Swap 2	15 million	1 - month LIBOR	3.14 %	May 2012	May 2017
	$ 40 million				

Fair Value Hedges

The Company enters into foreign exchange forward contracts to economically hedge against foreign currency exchange gains and losses on certain receivables and payables of the Company’s foreign operations. Changes in the fair value of derivative instruments designated as fair value hedges are recognized in earnings in Other income (expense), net. As of December 31, 2015 and 2014, the total notional amount of the Company’s forward contracts used as fair value hedges was $241.0 million and $242.5 million, respectively.

Derivative Valuation and Settlements

The Company’s derivatives as of December 31, 2015 and 2014 were as follows (in thousands):

	December 31, 2015		
Designation:	Designated as Hedging Instruments		Not Designated as Hedging Instruments
Derivative contract type:	Foreign Exchange	Interest Rate	Foreign Exchange
Derivative classification:	Cash Flow	Cash Flow	Fair Value
Fair value and location of derivative in the Consolidated Balance Sheet:			
Prepaids and other current assets	$ 39	$ —	$ 2,489
Other long-term assets	66	—	—
Other current liabilities	(20,088)	(549)	(116)
Other long-term liabilities	(25,739)	(102)	—
Total fair value of derivatives, net	$ (45,722)	$ (651)	$ 2,373

	December 31, 2014		
Designation:	Designated as Hedging Instruments		Not Designated as Hedging Instruments
Derivative contract type:	Foreign Exchange	Interest Rate	Foreign Exchange
Derivative classification:	Cash Flow	Cash Flow	Fair Value
Fair value and location of derivative in the Consolidated Balance Sheet:			
Prepaids and other current assets	$ 192	$ —	$ 797
Other long-term assets	389	—	—
Other current liabilities	(12,680)	(988)	(5)
Other long-term liabilities	(17,070)	(452)	—
Total fair value of derivatives, net	$ (29,169)	$ (1,440)	$ 792

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The effect of derivative instruments on the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2015 and 2014 were as follows (in thousands):

	Year Ended December 31,			
	2015		2014	
Designation:	Designated as Hedging Instruments		Designated as Hedging Instruments	
Derivative contract type:	Foreign Exchange	Interest Rate	Foreign Exchange	Interest Rate
Derivative classification:	Cash Flow	Cash Flow	Cash Flow	Cash Flow
Amount of gain or (loss) recognized in Other comprehensive income (loss) - effective portion, net of tax	$ (7,198)	$ (611)	$ (11,926)	$ (195)
Amount and location of net gain or (loss) reclassified from Accumulated OCI to income - effective portion:				
Revenue	$ (12,410)	$ —	$ (2,429)	$ —
Interest expense	—	(1,053)	—	(1,060)

	Year Ended December 31,			
	2015		2014	
Designation:	Not Designated as Hedging Instruments		Not Designated as Hedging Instruments	
Derivative contract type:	Foreign Exchange		Foreign Exchange	
Derivative classification:	Forward Contracts	Fair Value	Forward Contracts	Fair Value
Amount and location of net gain or (loss) recognized in the Consolidated Statement of Comprehensive Income (Loss):				
Cost of services	$ —	$ —	$ —	$ —
Other income (expense), net	—	(6,127)	—	(386)

(9)FAIR VALUE

The authoritative guidance for fair value measurements establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires that the Company maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 —	Quoted prices in active markets for identical assets or liabilities.
Level 2 —	Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, similar assets and liabilities in markets that are not active or can be corroborated by observable market data.
Level 3 —	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following presents information as of December 31, 2015 and 2014 of the Company's assets and liabilities required to be measured at fair value on a recurring basis, as well as the fair value hierarchy used to determine their fair value.

Accounts Receivable and Payable - The amounts recorded in the accompanying balance sheets approximate fair value because of their short-term nature.

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Investments – The Company measures investments, including cost and equity method investments, at fair value on a nonrecurring basis when they are deemed to be other-than-temporarily impaired. The fair values of these investments are determined based on valuation techniques using the best information available, and may include market observable inputs, and discounted cash flow projections. An impairment charge is recorded when the cost of the investment exceeds its fair value and this condition is determined to be other-than-temporary. As of December 31, 2015, the investment is recorded at $9.0 million which approximates fair value.

Debt - The Company's debt consists primarily of the Company's Credit Agreement, which permits floating-rate borrowings based upon the current Prime Rate or LIBOR plus a credit spread as determined by the Company's leverage ratio calculation (as defined in the Credit Agreement). As of December 31, 2015 and 2014, the Company had $100.0 million and $100.0 million, respectively, of borrowings outstanding under the Credit Agreement. During 2015 and 2014, borrowings accrued interest at an average rate of 1.2% and 1.2% per annum, respectively, excluding unused commitment fees. The amounts recorded in the accompanying Balance Sheets approximate fair value due to the variable nature of the debt based on level 2 inputs.

Derivatives - Net derivative assets (liabilities) are measured at fair value on a recurring basis. The portfolio is valued using models based on market observable inputs, including both forward and spot foreign exchange rates, interest rates, implied volatility, and counterparty credit risk, including the ability of each party to execute its obligations under the contract. As of December 31, 2015, credit risk did not materially change the fair value of the Company's derivative contracts.

The following is a summary of the Company's fair value measurements for its net derivative assets (liabilities) as of December 31, 2015 and 2014 (in thousands):

As of December 31, 2015

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	At Fair Value
Cash flow hedges	$ —	$ (45,722)	$ —	$ (45,722)
Interest rate swaps	—	(651)	—	(651)
Fair value hedges	—	2,373	—	2,373
Total net derivative asset (liability)	$ —	$ (44,000)	$ —	$ (44,000)

As of December 31, 2014

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	At Fair Value
Cash flow hedges	$ —	$ (29,169)	$ —	$ (29,169)
Interest rate swaps	—	(1,440)	—	(1,440)
Fair value hedges	—	792	—	792
Total net derivative asset (liability)	$ —	$ (29,817)	$ —	$ (29,817)

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The following is a summary of the Company's fair value measurements as of December 31, 2015 and 2014 (in thousands):

As of December 31, 2015

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets			
Derivative instruments, net	$ —	$ —	$ —
Total assets	$ —	$ —	$ —
Liabilities			
Deferred compensation plan liability	$ —	$ (9,821)	$ —
Derivative instruments, net	—	(44,000)	—
Contingent consideration	—	—	(13,450)
Total liabilities	$ —	$ (53,821)	$ (13,450)

As of December 31, 2014

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets			
Derivative instruments, net	$ —	$ —	$ —
Total assets	$ —	$ —	$ —
Liabilities			
Deferred compensation plan liability	$ —	$ (8,478)	$ —
Derivative instruments, net	—	(29,817)	—
Contingent consideration	—	—	(24,744)
Total liabilities	$ —	$ (38,295)	$ (24,744)

Deferred Compensation Plan - The Company maintains a non-qualified deferred compensation plan structured as a Rabbi trust for certain eligible employees. Participants in the deferred compensation plan select from a menu of phantom investment options for their deferral dollars offered by the Company each year, which are based upon changes in value of complementary, defined market investments. The deferred compensation liability represents the combined values of market investments against which participant accounts are tracked.

Contingent Consideration — The Company recorded contingent consideration related to the acquisitions of iKnowtion, Guidon, TSG, WebMetro, Sofica and rogenSi. These contingent payables were recognized at fair value using a discounted cash flow approach and a discount rate of 21.0%, 21.0%, 4.6%, 5.3%, 5.0%, or 4.6%, 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 factors. These measurements were based on significant inputs not observable in the market. The Company will accrete interest expense each period using the effective interest method until the future value of these contingent payables reaches their expected future value of $13.8 million. Interest expense related to all recorded contingent payables is included in Interest expense in the Consolidated Statements of Comprehensive Income (Loss).

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During the second and fourth quarters of 2014, the Company recorded fair value adjustments of the contingent consideration associated with the TSG reporting unit within the CTS segment based on revised estimates noting achievement of the targeted 2014 and 2015 EBITDA was remote. Accordingly, a $4.0 million and $3.9 million, respectively, reductions in the payable were recorded as of June 30, 2014 and December 31, 2014 and were included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

During the third and fourth quarters of 2014, the Company recorded fair value adjustments of the contingent consideration associated with the Sofica reporting unit within the CMS segment of $1.8 million and $0.6 million, respectively, as the Company's revised estimates reflected Sofica exceeding its EBITDA targets for both 2014 and 2015. Accordingly, the $1.8 million and $0.6 million increases in the payable were recorded as of September 30, 2014 and December 31, 2014 and were included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

During the third quarter of 2014, the Company recorded a fair value adjustment of the contingent consideration associated with the WebMetro reporting unit within the CGS segment based on revised estimates noting achievement of the targeted 2014 EBITDA was remote. Accordingly, a $1.7 million reduction in the payable was recorded as of September 30, 2014 and was included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

During the fourth quarter of 2014 and the third quarter of 2015, the Company recorded fair value adjustments of the contingent consideration associated with the rogenSi reporting unit within the CSS segment based on revised estimates reflecting rogenSi exceeding its EBITDA targets for 2014 and 2015. Accordingly a $0.5 million and a $0.8 million increase in the payable were recorded as of December 31, 2014 and September 30, 2015, respectively, and were included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

During the second quarter of 2015, the Company recorded a fair value adjustment of the contingent consideration associated with the Sofica reporting unit within the CMS segment based on revised estimates reflecting Sofica earnings will be lower than anticipated for 2015. Accordingly a $0.5 million decrease in the payable was recorded as of September 30, 2015 and was included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

During the fourth quarter of 2015, the Company recorded a fair value adjustment of the contingent consideration associated with the rogenSi reporting unit within the CSS segment based on revised estimates reflecting rogenSi earnings will be lower than anticipated for 2015. Accordingly a $0.3 million decrease in the payable was recorded as of December 31, 2015 and was included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

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

	December 31, 2014	Acquisitions	Payments	Imputed Interest / Adjustments	December 31, 2015

iKnowtion	$ 2,265	$ —	$ (1,800)	$ 35	$ 500
Guidon	1,000	—	(1,000)	—	—
TSG	—	—	—	—	—
WebMetro	—	—	—	—	—
Sofica	6,317	—	(2,838)	(326)	3,153
rogenSi	15,162	—	(6,372)	1,007	9,797
Total	$ 24,744	$ —	$ (12,010)	$ 716	$ 13,450

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	December 31, 2013	Acquisitions	Payments	Imputed Interest / Adjustments	December 31, 2014
iKnowtion	$ 3,470	$ —	$ (1,400)	$ 195	$ 2,265
Guidon	2,637	—	(1,426)	(211)	1,000
TSG	12,933	—	(5,292)	(7,641)	—
WebMetro	2,708	—	(1,026)	(1,682)	—
Sofica	—	3,830	—	2,487	6,317
rogenSi	—	14,543	—	619	15,162
Total	$ 21,748	$ 18,373	$ (9,144)	$ (6,233)	$ 24,744

(10)INCOME TAXES

The sources of pre-tax operating income are as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Domestic	$ 25,402	$ 20,569	$ 10,816
Foreign	60,487	79,890	81,253
Total	$ 85,889	$ 100,459	$ 92,069

The components of the Company’s Provision for (benefit from) income taxes are as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Current provision for (benefit from)			
Federal	$ 4,094	$ (699)	$ (320)
State	1,829	270	150
Foreign	4,764	13,957	13,876
Total current provision for (benefit from)	10,687	13,528	13,706
Deferred provision for (benefit from)			
Federal	(1,895)	10,148	4,674
State	1,085	423	195

Foreign	10,127	(1,057)	2,023
Total deferred provision for (benefit from)	9,317	9,514	6,892
Total provision for (benefit from) income taxes	$ 20,004	$ 23,042	$ 20,598

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The following reconciles the Company’s effective tax rate to the federal statutory rate (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Income tax per U.S. federal statutory rate (35%)	$ 30,062	$ 35,161	$ 32,224
State income taxes, net of federal deduction	1,603	1,525	210
Change in valuation allowances	3,923	256	3,266
Foreign income taxes at different rates than the U.S.	(14,490)	(17,824)	(20,529)
Foreign withholding taxes	958	257	2,504
Losses in international markets without tax benefits	1,999	1,649	779
Nondeductible compensation under Section 162(m)	512	817	1,847
Liabilities for uncertain tax positions	1,756	1,435	77
Permanent difference related to foreign exchange gains	162	(11)	(122)
(Income) losses of foreign branch operations	(517)	225	1,447
Non-taxable earnings of noncontrolling interest	(1,349)	(1,141)	(1,172)
Foreign dividend less foreign tax credits	(4,425)	(1,428)	(2,587)
Increase in deferred tax liability - branch losses in UK	(2,530)	(75)	(954)
Decrease (increase) to deferred tax asset - change in tax rate	(526)	(443)	(68)
State income tax credits and net operating losses	(1,477)	(142)	615
Foreign earnings taxed currently in U.S.	2,839	2,696	2,907
Other	1,504	85	154
Income tax per effective tax rate	$ 20,004	$ 23,042	$ 20,598

The Company’s deferred income tax assets and liabilities are summarized as follows (in thousands):

	Year Ended December 31,	
	2015	2014
Deferred tax assets, gross		
Accrued workers compensation, deferred compensation and employee benefits	$ 10,509	$ 17,030
Allowance for doubtful accounts, insurance and other accruals	4,860	4,554
	2,500	2,201

Amortization of deferred rent liabilities				
Net operating losses		19,522		11,296
Equity compensation		3,505		2,997
Customer acquisition and deferred revenue accruals		16,610		16,241
Federal and state tax credits, net		10,057		10,621
Depreciation and amortization		6,265		—
Unrealized losses on derivatives		16,644		11,686
Other		2,655		12,749
Total deferred tax assets, gross		93,127		89,375
Valuation allowances		(10,139)		(10,721)
Total deferred tax assets, net		82,988		78,654
Deferred tax liabilities				
Depreciation and amortization		—		(7,035)
Contract acquisition costs		(25,667)		(11,768)
Future losses in UK		—		(2,530)
Intangible assets		(6,082)		(7,628)
Other		(2,490)		(355)
Total deferred tax liabilities		(34,239)		(29,316)
Net deferred tax assets	$	48,749	$	49,338

Quarterly, the Company assesses the likelihood by jurisdiction that its net deferred tax assets will be recovered. Based on the weight of all available evidence, both positive and negative, the Company records a valuation allowance against deferred tax assets when it is more-likely-than-not that a future tax benefit will not be realized.

As of December 31, 2015 the Company had approximately $40.4 million of net deferred tax assets in the U.S. and $8.4 million of net deferred tax assets related to certain international locations whose recoverability is

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dependent upon their future profitability. As of December 31, 2015 the deferred tax valuation allowance was $10.1 million and related primarily to tax losses in foreign jurisdictions and U.S. federal and state tax credits which do not meet the “more-likely-than-not” standard under current accounting guidance. The utilization of these federal and state tax credits are subject to numerous factors including various expiration dates, generation of future taxable income over extended periods of time and state income tax apportionment factors which are subject to change.

During November 2015, the FASB issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes”, which simplifies the presentation of deferred income taxes. This ASU requires that deferred tax assets and liabilities be classified as non-current in a statement of financial position. The Company early adopted ASU 2015-17 effective December 31, 2015 on a prospective basis. Adoption of this ASU resulted in a reclassification of the Company’s net current deferred tax asset to the net non-current deferred tax asset in its Consolidated Balance Sheet as of December 31, 2015. No prior periods were retrospectively adjusted.

When there is a change in judgment concerning the recovery of deferred tax assets in future periods, a valuation allowance is recorded into earnings during the quarter in which the change in judgment occurred. In 2015, the Company made adjustments to its deferred tax assets and corresponding valuation allowances. The net change to the valuation allowance consisted of the following: a $2.9 million decrease in certain state credits and NOLs that are now expected to be utilized prior to expiration, a $4.3 million increase in valuation allowance in Belgium, Canada, Costa Rica, Israel, Macedonia, New Zealand and United Kingdom for deferred tax assets that do not meet the “more-likely-than-not” standard, and a $1.8 million release of valuation allowance in various other jurisdictions related to the utilization or write-off of deferred tax assets.

Activity in the Company’s valuation allowance accounts consists of the following (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Beginning balance	$ 10,721	$ 10,792	$ 20,909
Additions of deferred income tax expense	4,300	946	4,218
Reductions of deferred income tax expense	(4,882)	(1,017)	(14,335)
Ending balance	$ 10,139	$ 10,721	$ 10,792

As of December 31, 2015, after consideration of all tax loss and tax credit carry back opportunities, the Company had tax affected tax loss carry forwards worldwide expiring as follows (in thousands):

2016	$ 1,616
2017	133
2018	316
2019	295

After 2019	12,688
No expiration	4,473
Total	$ 19,521

As of December 31, 2015, domestically, the Company had federal tax credit carry forwards in the amount of $1.6 million that if unused will expire in 2021, $2.2 million that if unused will expire in 2022, $2.2 million that if unused will expire in 2023, $0.9 million that if unused will expire in 2024, and $1.7 million that if unused will expire in 2025. The Company also had state tax credit carry-forwards of $0.3 million that if unused will expire between 2016 and 2023.

As of December 31, 2015 the cumulative amount of foreign earnings considered permanently invested outside the U.S. was $493.4 million. Those earnings do not include earnings from certain subsidiaries which the Company intends to repatriate to the U.S. or are otherwise considered available for distribution to the U.S. Accordingly, no provision for U.S. federal or state income taxes or foreign withholding taxes has been provided on these undistributed earnings. If these earnings become taxable in the U.S, the Company would be subject to incremental tax expense, after any applicable foreign tax credit, and foreign withholding tax expense. It is not practicable to estimate the additional taxes that may become payable upon the eventual remittance of these foreign earnings.

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The Company has been granted “Tax Holidays” as an incentive to attract foreign investment by the governments of the Philippines and Costa Rica. Generally, a Tax Holiday is an agreement between the Company and a foreign government under which the Company receives certain tax benefits in that country, such as exemption from taxation on profits derived from export-related activities. In the Philippines, the Company has been granted multiple agreements with an initial period of four years and additional periods for varying years, expiring at various times between 2011 and 2020. The aggregate benefit to income tax expense for the years ended December 31, 2015, 2014 and 2013 was approximately $12.2 million, $20.2 million and $14.6 million, respectively, which had a favorable impact on diluted net income per share of $0.25, $0.27 and $0.28, respectively.

Accounting for Uncertainty in Income Taxes

In accordance with ASC 740, the Company has recorded a reserve for uncertain tax positions. The total amount of interest and penalties recognized in the accompanying Consolidated Balance Sheets and Consolidated Statements of Comprehensive Income (Loss) as of December 31, 2015, 2014 and 2013 was approximately $709 thousand, $132 thousand and $77 thousand, respectively.

The Company had a reserve for uncertain tax benefits, on a net basis, of $3.7 million and $1.9 million for the years ended December 31, 2015 and 2014, respectively. The liability for uncertain tax positions was not changed in 2015 for tax positions that were resolved favorably or expired.

The tabular reconciliation of the reserve for uncertain tax benefits on a gross basis without interest for the three years ended December 31, 2015 is presented below (in thousands):

Balance as of December 31, 2012	$ 358
Additions for current year tax positions	—
Reductions in prior year tax positions	—
Balance as of December 31, 2013	358
Additions for current year tax positions	1,303
Reductions in prior year tax positions	—
Balance as of December 31, 2014	1,661
Additions for current year tax positions	1,048
Reductions in prior year tax positions	—
Balance as of December 31, 2015	$ 2,709

At December 31, 2015, the amount of uncertain tax benefits that, if recognized, would reduce tax expense was $3.7 million. Within the next 12 months, it is expected that the amount of unrecognized tax benefits will be reduced by $1.2 million as a result of the expiration of various statutes of limitation.

The Company and its domestic and foreign subsidiaries (including Percepta LLC and its domestic and foreign subsidiaries) file income tax returns as required in the U.S. federal jurisdiction and various state and foreign jurisdictions. The following table presents the major tax jurisdictions and tax years that are open as of December 31, 2015 and subject to examination by the respective tax authorities:

Tax Jurisdiction	Tax Year Ended
United States	2012 to present
Argentina	2010 to present
Australia	2011 to present
Brazil	2010 to present
Canada	2008 to present
Mexico	2010 to present
Philippines	2013 to present
Spain	2011 to present

During the first quarter of 2014, a benefit of $1.2 million was recorded due to the closing of statutes of limitations in Canada.

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During the third quarter of 2014, the Company settled an audit with the taxing authorities in the Netherlands for tax years 2010 and 2011. An expense of $1.3 million was recorded in the quarter as a result of that settlement and the related impact through 2014.

In accordance with ASC 740, the Company recorded a liability during the second quarter of 2015 of $1.75 million, inclusive of penalties and interest, for an uncertain tax position. See Note 1.

The Company's U.S. income tax returns filed for the tax years ending December 31, 2012 to present, remain open tax years. The IRS has concluded its audit in the United States for tax years 2009, 2011 and 2012 resulting in no changes to the Company's financial statements or tax liabilities as previously reported.

The Company has been notified of the intent to audit, or is currently under audit of incomes taxes in the following jurisdictions: the United States, specifically for the acquired entity TSG, for the tax year 2012 (prior to acquisition), Canada for tax years 2009 and 2010, and New Zealand for tax year 2013. Although the outcome of examinations by taxing authorities are always uncertain, it is the opinion of management that the resolution of these audits will not have a material effect on the Company's Consolidated Financial Statements.

(11)RESTRUCTURING CHARGES AND IMPAIRMENT LOSSES

Restructuring Charges

During the years ended December 31, 2015, 2014 and 2013, the Company undertook a number of restructuring activities primarily associated with reductions in the Company's capacity and workforce in several of its segments to better align the capacity and workforce with current business needs.

A summary of the expenses recorded in Restructuring, net in the accompanying Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013, respectively, is as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Reduction in force			
Customer Management Services	$ 1,482	$ 2,182	$ 3,832
Customer Growth Services	22	56	43
Customer Technology Services	13	709	73
Customer Strategy Services	297	389	189
Total	$ 1,814	$ 3,336	$ 4,137

	Year Ended December 31,		
	2015	2014	2013
Facility exit charges			
Customer Management Services	$ —	$ 14	$ 298
Customer Growth Services	—	—	—
Customer Technology Services	—	—	—
Customer Strategy Services	—	—	—
Total	$ —	$ 14	$ 298

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A rollforward of the activity in the Company's restructuring accruals for the years ended December 31, 2015 and 2014, respectively, is as follows (in thousands):

	Closure of Delivery Centers	Reduction in Force	Total
Balance as of December 31, 2013	$ —	$ 1,353	$ 1,353
Expense	14	3,442	3,456
Payments	(14)	(2,618)	(2,632)
Changes in estimates	—	(106)	(106)
Balance as of December 31, 2014	—	2,071	2,071
Expense	—	1,814	1,814
Payments	—	(2,869)	(2,869)
Changes due to foreign currency	—	(210)	(210)
Changes in estimates	—	—	—
Balance as of December 31, 2015	$ —	$ 806	$ 806

The remaining restructuring accruals are expected to be paid or extinguished during 2016 and are all classified as current liabilities within Other accrued expenses in the Consolidated Balance Sheets.

Impairment Losses

During each of the periods presented, the Company evaluated the recoverability of its leasehold improvement assets at certain delivery centers. An asset is considered to be impaired when the anticipated undiscounted future cash flows of its asset group are estimated to be less than the asset group's carrying value. The amount of impairment recognized is the difference between the carrying value of the asset group and its fair value. To determine fair value, the Company used Level 3 inputs in its discounted cash flows analysis. Assumptions included the amount and timing of estimated future cash flows and assumed discount rates. During 2015, 2014 and 2013, the Company recognized impairment losses related to leasehold improvement assets of $0.4 million, $0.4 million, and $0.1 million, respectively, in its Customer Management Services segment.

During the third and fourth quarters of 2015, the Company recorded impairment charges of $3.1 million and $2.8 million, respectively, related to the goodwill balance for the WebMetro reporting unit within the CGS segment. See Note 6 for further information. These expenses were included in the Impairment losses in the Consolidated Statements of Comprehensive Income (Loss).

During the fourth quarter of 2015, the Company recorded an impairment charge of $1.8 million related to the goodwill balance for the Latin America reporting unit within the CMS segment. See Note 6 for further information. This expense was included in the Impairment losses in the Consolidated Statements of Comprehensive Income (Loss).

During the second quarter of 2013, the Company recorded an impairment charge of $1.1 million related to the PRG trade name intangible asset within the CSS segment. See Note 7 for further information. This expense was included in the Impairment losses in the Consolidated Statements of Comprehensive Income (Loss).

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(12)INDEBTEDNESS

Credit Facility

On February 11, 2016, we entered into a First Amendment to our June 3, 2013 Amended and Restated Credit Agreement and Amended and Restated Security Agreement (collectively the “Credit Agreement”) for a senior secured revolving credit facility (the “Credit Facility”) with a syndicate of lenders led by Wells Fargo Bank, National Association. The Credit Agreement provides for a secured revolving credit facility that matures on February 11, 2021 with an initial maximum aggregate commitment of $900.0 million, and an accordion feature of up to $1.2 billion in the aggregate, if certain conditions are satisfied. At our discretion, direct borrowing options under the Credit Agreement include Eurodollar loans, overnight base rate loans, and alternate currency loans. The Credit Agreement also provides for a foreign subsidiary borrowing capacity sub-limit for loans or letters of credit of up to 50% of the total commitment amount, in both U.S. dollars and certain foreign currencies.

Base rate loans bear interest at a rate equal to the greatest of (i) Wells Fargo’s prime rate, (ii) one half of 1% in excess of the federal funds effective rate, and (iii) 1.25% in excess of the one month London Interbank Offered Rate (“LIBOR”); plus in each case a margin of 0% to 0.75 based on our net leverage ratio. Eurodollar loans bear interest at LIBOR plus a margin of 1.0% to 1.75% based on our net leverage ratio. Alternate currency loans bear interest at rates applicable to their respective currencies.

The applicable margins from February 11, 2016 until a compliance certificate is provided by us in connection with the delivery to the lenders of our quarterly financial statements for the quarter ended March 31, 2016, are 0.000% per annum for base rate loans and 1.000% per annum for Eurodollar loans or alternate currency loans.

Letter of credit fees are one eighth of 1% of the stated amount of the letter of credit on the date of issuance, renewal or amendment, plus an annual fee equal to the borrowing margin for Eurodollar loans.

The Credit Facility commitment fees are payable to the lenders in an amount equal to the unused portion of the Credit Facility multiplied by 0.125% per annum from February 11, 2016 until a compliance certificate is provided by us in connection with the delivery to the lenders of our quarterly financial statements for the quarter ended March 31, 2016, and thereafter at a rate of 0.250% to 0.125% based on our net leverage ratio.

Indebtedness under the Credit Agreement is guaranteed by certain of our domestic subsidiaries and is collateralized by (subject to permitted liens) the U.S. accounts receivable and cash of our Company and certain of its domestic subsidiaries. The indebtedness may also be collateralized by tangible assets of our Company and its domestic subsidiaries, if borrowings by foreign subsidiaries exceed $100.0 million and the total net leverage ratio is greater than 3.00 to 1.00. We also pledged 65% of the voting stock and all of the non-voting stock, if any, of certain of our material foreign subsidiaries.

In addition, the Company is obligated to maintain a maximum net leverage ratio of 3.25 to 1.00, and a minimum Interest Coverage Ratio of 2.50 to 1.00.

The Company primarily utilizes its Credit Agreement to fund working capital, general operations, stock repurchases, dividends, and other strategic activities, such as the acquisitions described in Note 2. As of December 31, 2015, and 2014, the Company had borrowings of $100.0 million and $100.0 million, respectively, under its Credit Agreement, and its average daily utilization was $319.6 million and $285.9 million for the years ended December 31, 2015 and 2014, respectively. After consideration for issued letters of credit under the Credit Agreement, totaling $3.4 million, based on the current level of availability based on the covenant calculations the Company's remaining borrowing capacity was approximately $415 million as of December 31, 2015. As of December 31, 2015, the Company was in compliance with all covenants and conditions under its Credit Agreement.

From time-to-time, the Company has unsecured, uncommitted lines of credit to support working capital for a few foreign subsidiaries. As of December 31, 2015 and 2014, no foreign loans were outstanding.

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(13)DEFERRED REVENUE AND COSTS

Deferred revenue in the accompanying Consolidated Balance Sheets consist of the following (in thousands):

	December 31,	
	2015	2014
Deferred Revenue - Current	$ 26,184	$ 29,887
Deferred Revenue - Long-term	17,823	18,771
Total Deferred Revenue	$ 44,007	$ 48,658

Deferred costs in the accompanying Consolidated Balance Sheets consist of the following (in thousands):

	December 31,	
	2015	2014
Deferred Costs - Current	$ 16,905	$ 16,845
Deferred Costs - Long-term	11,472	12,214
Total Deferred Costs	$ 28,377	$ 29,059

(14)COMMITMENTS AND CONTINGENCIES

Letters of Credit

As of December 31, 2015, outstanding letters of credit under the Credit Agreement totaled $3.4 million and primarily guaranteed workers' compensation and other insurance related obligations. As of December 31, 2015, letters of credit and contract performance guarantees issued outside of the Credit Agreement totaled $4.3 million.

Guarantees

Indebtedness under the Credit Agreement is guaranteed by certain of the Company's present and future domestic subsidiaries.

Legal Proceedings

From time to time, the Company has been involved in legal actions, both as plaintiff and defendant, which arise in the ordinary course of business. The Company accrues for exposures associated with such legal actions to the extent that losses are deemed both probable and reasonably estimable. To the extent specific reserves have not been made for certain legal proceedings, their ultimate outcome, and consequently, an estimate of possible loss, if any, cannot reasonably be determined at this time.

Based on currently available information and advice received from counsel, the Company believes that the disposition or ultimate resolution of any current legal proceedings, except as otherwise specifically reserved for in its financial statements, will not have a material adverse effect on the Company’s financial position, cash flows or results of operations.

(15)LEASES

The Company has various operating leases primarily for delivery centers, equipment, and office space, which generally contain renewal options. Rent expense under operating leases was approximately $37.7 million, $33.2 million and $33.3 million for the years ended December 31, 2015, 2014 and 2013, respectively.

In 2008, the Company sub-leased one of its delivery centers to a third party for the remaining term of the original lease. The sub-lease began on January 1, 2009 and rental income is recognized on a straight-line basis over the term of the sub-lease through 2021. Future minimum sub-lease rental receipts are shown in the table below.

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The future minimum rental payments and receipts required under non-cancelable operating leases as of December 31, 2015 are as follows (in thousands):

	Operating Leases	Sub-Lease Income
2016	$ 36,571	$ (2,234)
2017	30,796	(2,234)
2018	21,585	(2,470)
2019	13,824	(2,470)
2020	9,767	(2,470)
Thereafter	29,976	(206)
Total	$ 142,519	$ (12,084)

The Company records operating lease expense on a straight-line basis over the life of the lease as described in Note 1. The deferred lease liability as of December 31, 2015 and 2014 was $11.8 million and $9.0 million, respectively.

Asset Retirement Obligations

The Company records asset retirement obligations ("ARO") for several of its delivery center leases. Capitalized costs related to ARO's are included in Other long-term assets in the accompanying Consolidated Balance Sheets while the ARO liability is included in Other long-term liabilities in the accompanying Consolidated Balance Sheets. Following is a summary of the amounts recorded (in thousands):

	Balance at December 31, 2014	Additions and Modifications	Accretion	Settlements	Balance at December 31, 2015
ARO liability total	$ 1,941	$ (136)	$ 49	$ (213)	$ 1,641

	Balance at December 31, 2013	Additions and Modifications	Accretion	Settlements	Balance at December 31, 2014
ARO liability total	$ 1,888	$ 39	$ 14	$ —	$ 1,941

Increases to ARO result from a new lease agreement or modifications on an ARO from a preexisting lease agreement. Modifications to ARO liabilities and accumulated accretion occur when lease agreements are amended or when assumptions change, such as the rate of inflation. Modifications are accounted for prospectively as changes in estimates. Settlements occur when leased premises are vacated and the actual cost of restoration is paid. Differences between the actual costs of restoration and the balance recorded as ARO liabilities are recognized as gains or losses in the accompanying Consolidated Statements of Comprehensive Income (Loss).

(16)MANDATORILY REDEEMABLE NONCONTROLLING INTEREST

The Company holds an 80% interest in iKnowtion. In the event iKnowtion meets certain EBITDA targets for calendar year 2015, the purchase and sale agreement requires TeleTech to purchase the remaining 20% interest in iKnowtion in 2016 for an amount equal to a multiple of iKnowtion’s 2015 EBITDA as defined in the purchase and sale agreement. These terms represent a contingent redemption feature which the Company determined is probable of being achieved.

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The Company has recorded the mandatorily redeemable noncontrolling interest at the redemption value based on the corresponding EBITDA multiples as prescribed in the purchase and sale agreement at the end of each reporting period. At the end of each reporting period the changes in the redemption value are recorded in retained earnings. Since the EBITDA multiples as defined in the purchase and sale agreement are below the current market multiple, the Company has determined that there is no preferential treatment to the noncontrolling interest shareholders resulting in no impact to earnings per share.

A rollforward of the mandatorily redeemable noncontrolling interest is as follows (in thousands):

	Year Ended December 31,	
	2015	2014
Mandatorily redeemable noncontrolling interest, January 1	$ 2,814	$ 2,509
Net income attributable to mandatorily redeemable noncontrolling interest	837	613
Working capital distributed to mandatorily redeemable noncontrolling interest	(633)	(1,244)
Change in redemption value	1,113	936
Mandatorily redeemable noncontrolling interest, December 31	$ 4,131	$ 2,814

(17)ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents changes in the accumulated balance for each component of Other comprehensive income (loss), including current period other comprehensive income (loss) and reclassifications out of accumulated other comprehensive income (loss) (in thousands):

	Foreign Currency Translation	Derivative Valuation, Net	Other, Net

	Adjustment	of Tax	of Tax	Totals
Accumulated other comprehensive income (loss) at December 31, 2012	$ 15,673	$ 9,559	$ (2,251)	$ 22,981
Other comprehensive income (loss) before reclassifications	(26,254)	(13,721)	29	(39,946)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(4,190)	569	(3,621)
Net current period other comprehensive income (loss)	(26,254)	(17,911)	598	(43,567)
Accumulated other comprehensive income (loss) at December 31, 2013	$ (10,581)	$ (8,352)	$ (1,653)	$ (20,586)
Accumulated other comprehensive income (loss) at December 31, 2013	$ (10,581)	$ (8,352)	$ (1,653)	$ (20,586)
Other comprehensive income (loss) before reclassifications	(22,771)	(12,121)	44	(34,848)
Amounts reclassified from accumulated other comprehensive income (loss)	—	2,128	1,032	3,160
Net current period other comprehensive income (loss)	(22,771)	(9,993)	1,076	(31,688)
Accumulated other comprehensive income (loss) at December 31, 2014	$ (33,352)	$ (18,345)	$ (577)	$ (52,274)
Accumulated other comprehensive income (loss) at December 31, 2014	$ (33,352)	$ (18,345)	$ (577)	$ (52,274)
Other comprehensive income (loss) before reclassifications	(37,844)	(16,349)	(3,614)	(57,807)
Amounts reclassified from accumulated other comprehensive income (loss)	—	7,809	907	8,716
Net current period other comprehensive income (loss)	(37,844)	(8,540)	(2,707)	(49,091)
Accumulated other comprehensive income (loss) at December 31, 2015	$ (71,196)	$ (26,885)	$ (3,284)	$ (101,365)

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The following table presents the classification of the amount reclassified from Accumulated other comprehensive income (loss) to the statement of comprehensive income (loss) (in thousands):

	For the Year Ended December 31,			Statement of Comprehensive Income (Loss) Classification
	2015	2014	2013	
Derivative valuation				
Gain (loss) on foreign currency forward exchange contracts	$ (12,410)	$ (2,429)	$ 7,973	Revenue
Loss on interest rate swaps	(1,053)	(1,060)	(1,047)	Interest expense
Tax effect	5,654	1,361	(2,736)	Provision for income taxes
	$ (7,809)	$ (2,128)	$ 4,190	Net income (loss)
Other				
Actuarial loss on defined benefit plan	$ (1,008)	$ (1,098)	$ (605)	Cost of services
Tax effect	101	66	36	Provision for income taxes
	$ (907)	$ (1,032)	$ (569)	Net income (loss)

(18)NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted shares for the periods indicated (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Shares used in basic earnings per share calculation	48,370	49,297	51,338
Effect of dilutive securities:			
Stock options	275	413	417
Restricted stock units	338	392	489
Performance-based restricted stock units	28	—	—
Total effects of dilutive securities	641	805	906
Shares used in dilutive earnings per share calculation	49,011	50,102	52,244

For the years ended December 31, 2015, 2014 and 2013, 0.1 million, 0.1 million and 0.1 million, respectively, of options to purchase shares of common stock were outstanding but not included in the computation of diluted net income per share because the exercise price exceeded the value of the shares and the effect would have been anti-dilutive. For the years ended December 31, 2015, 2014 and 2013, restricted stock units of 0.4 million, 0.2 million, and 0.2 million, respectively, were outstanding but not included in the computation of diluted net income per share because the effect would have been anti-dilutive. For the years ended December 31, 2015, 2014 and 2013, there were no performance-based restricted stock units outstanding but not included in the computation of diluted net income per share. For the years ended December 31, 2015, 2014 and 2013, restricted stock units that vest based on the Company achieving specified operating income performance targets of 0.1 million, 0.1 million and 0.1 million, respectively, were outstanding but not included in the computation of diluted net income per share because they were determined not to be contingently issuable.

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(19)EMPLOYEE COMPENSATION PLANS

Employee Benefit Plan

The Company currently has one 401(k) profit-sharing plan that allows participation by U.S. employees who have completed six months of service, as defined, and are 21 years of age or older. Participants may defer up to 75% of their gross pay, up to a maximum limit determined by U.S. federal law. Participants are also eligible for a matching contribution. The Company may from time to time, at its discretion, make a “matching contribution” based on the amount and rate of the elective deferrals. The Company determines how much, if any, it will contribute for each dollar of elective deferrals. Participants vest in matching contributions over a three-year period. Company matching contributions to the 401(k) plan(s) totaled $5.2 million, $4.8 million and $4.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Equity Compensation Plans

In February 1999, the Company adopted the TeleTech Holdings, Inc. 1999 Stock Option and Incentive Plan (the “1999 Plan”). An aggregate of 14.0 million shares of common stock were reserved for issuance under the 1999 Plan, which permitted the award of incentive stock options, non-qualified stock options, stock appreciation rights, shares of restricted common stock and restricted stock units (“RSUs”). The 1999 Plan also provided for annual equity-based compensation grants to members of the Company’s Board of Directors. Options granted to employees generally vested over four to five years and had a contractual life of ten years. Options issued to Directors vested immediately and had a contractual life of ten years. In May 2009, the Company adopted a policy to issue RSUs to Directors, which generally vest over one year.

In May 2010, the Company adopted the 2010 Equity Incentive Plan (the “2010 Plan”). Upon adoption of the 2010 Plan, all authorized and unissued equity in the 1999 Plan was cancelled. An aggregate of 4.0 million shares of common stock has been reserved for issuance under the 2010 Plan, which permits the award of incentive stock options, non-qualified stock options, stock appreciation rights, shares of restricted common stock and RSUs. As of December 31, 2015, a total of 4.0 million shares were authorized and 1.0 million shares were available for issuance under the 2010 Plan.

For the years ended December 31, 2015, 2014, and 2013, the Company recorded total equity-based compensation expense under all equity-based arrangements (stock options and RSUs) of $11.3 million, $11.3 million and $13.3 million, respectively. For 2015, 2014 and 2013, of the total compensation expense, $2.9 million, $2.3 million and $2.2 million was recognized in Cost of services and $8.4 million, $9.0 million and $11.1 million, was recognized in Selling, general and administrative in the Consolidated Statements of Comprehensive Income (Loss), respectively. For the years ended December 31, 2015, 2014, and 2013, the Company recognized a tax benefit under all equity-based arrangements (stock options and RSUs) of $6.7 million, $6.3 million and $5.8 million, respectively.

Restricted Stock Units

2013, 2014 and 2015 RSU Awards: The Company granted RSUs in 2013, 2014 and 2015 to new and existing employees that vest over four or five years. The Company also granted RSUs in 2013, 2014 and 2015 to members of the Board of Directors that vest over one year.

During 2011, the Company granted 100,000 performance-based RSUs to a key employee that vest based on the Company achieving specified revenue and operating income performance in 2014. The Company determined the performance targets were not met; and therefore these RSU's did not vest and were forfeited. During 2014, the Company granted to a different key employee RSU's based on revenue and operating income performance for a reporting segment of the Company; these performance conditions were partially met and therefore 8,394 RSU's were issued. These RSU vest over a four year period.

During 2015, the Company granted performance-based RSUs to an executive the amount of which is determinable based on a reporting segment of the Company achieving incremental operating income for each year from 2015-2017. During 2015, based on operating income performance for a reporting segment of the Company approximately $0.4 million of RSUs were earned. These RSUs are anticipated to be granted in March 2016 and will vest 12 months from the grant date.

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Summary of RSUs: Settlement of the RSUs shall be made in shares of the Company's common stock by delivery of one share of common stock for each RSU then being settled. The Company calculates the fair value for RSUs based on the closing price of the Company's stock on the date of grant and records compensation expense over the vesting period using a straight-line method. The Company factors an estimated forfeiture rate in calculating compensation expense on RSUs and adjusts for actual forfeitures upon the vesting of each tranche of RSUs. The Company also factors in the present value of the estimated dividend payments that will have accrued as these RSU's are vesting.

The weighted average grant-date fair value of RSUs, including performance-based RSUs, granted during the years ended December 31, 2015, 2014, and 2013 was $26.52, $26.92, and $21.66, respectively. The total intrinsic value and fair value of RSUs vested during the years ended December 31, 2015, 2014, and 2013 was $13.0 million, $12.4 million, and $12.3 million, respectively.

A summary of the status of the Company's non-vested RSUs and performance-based RSUs and activity for the year ended December 31, 2015 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested as of December 31, 2014	1,823,078	$ 23.02
Granted	768,590	$ 26.52
Vested	(531,789)	$ 22.71
Cancellations/expirations	(504,413)	$ 21.79
Unvested as of December 31, 2015	1,555,466	$ 25.25

All RSU's vested during the year ended December 31, 2015 were issued out of treasury stock. As of December 31, 2015, there was approximately $28.6 million of total unrecognized compensation expense and approximately $43.4 million in total intrinsic value related to non-vested RSU grants. The unrecognized compensation expense will be recognized over the remaining weighted-average vesting period of 1.6 years using the straight-line method.

Stock Options

During the year ended December 31, 2011, the Company granted 150,000 stock options to a key employee. The stock option award is made up of four separate tranches. Each tranche will vest based on certain stock price targets (market conditions). The grant date fair values of each tranche were calculated using a Monte Carlo simulation model in addition to a time-based binomial lattice model. The following table provides the assumptions used in the time-based binomial lattice model for each tranche granted:

	Year Ended December 31, 2011			
Risk-free interest rate			2.1	%
Expected life in years	1.3	-	2.7	
Expected volatility			54.4	%
Dividend yield			—	%
Weighted-average volatility			54.4	%

The Company estimated the expected term based on historical averages of option exercises and expirations. The calculation of expected volatility is based on the historical volatility of the Company’s common stock over the expected term. The risk-free interest rate is based on the yield on the grant measurement date of a traded zero-coupon U.S. Treasury bond, as reported by the U.S. Federal Reserve, with a term equal to the expected term of the stock option granted. The Company factored an estimated forfeiture rate and adjusted for actual forfeitures upon the vesting of each tranche of options.

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A summary of stock option activity for the year ended December 31, 2015 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term in Years	Aggregate Intrinsic Value (000's)
Outstanding as of December 31, 2014	1,151,999	$ 13.67		
Exercises	(894,168)	$ 11.59		$ 13,894
Post-vest cancellations/expirations	(16,667)	$ 17.31		
Outstanding as of December 31, 2015	241,164	$ 21.11	3.94	$ 1,641
Vested and exercisable as of December 31, 2015	107,831	$ 25.80	1.54	$ 228

During the third quarter of 2015, Mr. Kenneth D. Tuchman, the Chairman and Chief Executive Officer of TeleTech, exercised the option he received from the Company in 2005 to purchase 800,000 shares of TeleTech stock at the strike price of $11.35 per share. To effectuate a "cashless exercise" of the option, on August 24, 2015, Mr. Tuchman entered into a Stock Purchase Agreement with TeleTech, under the terms of which he exercised the option at the end of business on August 31, 2015 and, upon issuance of the option shares, sold to TeleTech, in a simultaneous transaction, a number of shares necessary to pay the option exercise price plus any tax withholding obligations. The option shares were valued at the market price of the close of business on that date. Mr. Tuchman's option, granted under TeleTech's 1999 Stock Option and Incentive Plan, was fully vested and set to expire in November, 2015, The Stock Purchase Agreement was approved by the independent members of TeleTech's Board of Directors who deemed it to be in the best interest of the Company and all its shareholders.

There were no stock options granted during 2015, 2014 or 2013. The total intrinsic value of options exercised during the years ended December 31, 2015, 2014 and 2013 was $13.9 million, $0.8 million and $1.0 million, respectively. The total fair value of stock options vested during the years ended December 31, 2015, 2014 and 2013 was zero, respectively.

As of December 31, 2015, there was approximately $300 thousand of unrecognized compensation expense related to non-vested stock options. The unrecognized compensation expense will be recognized over the remaining weighted-average derived service period of 2.6 years using the straight-line method.

Cash received from option exercises under the Plans for the years ended December 31, 2015, 2014 and 2013 was $0.8 million, $0.4 million and $0.9 million, respectively. The recognized tax benefit from option exercises for the years ended December 31, 2015, 2014 and 2013 was $1.0 million, $0.3 million and $0.4 million, respectively. Shares issued for options exercised during the year ended December 31, 2015 were issued out of treasury stock.

(20)STOCK REPURCHASE PROGRAM

Stock Repurchase Program

The Company has a stock repurchase program, which was initially authorized by the Company's Board of Directors in November 2001. As of December 31, 2015, the cumulative authorized repurchase allowance was $662.3 million. During the year ended December 31, 2015, the Company purchased 686 thousand shares for $17.2 million. Since inception of the program, the Company has purchased 42.8 million shares for $642.8 million. As of December 31, 2015, the remaining allowance under the program was approximately $19.6 million. For the period from January 1, 2016 through March 7, 2016, the Company purchased 217,346 additional shares at a cost of $5.6 million. The stock repurchase program does not have an expiration date. On February 18, 2016, the Board of Directors authorized an increase in the share repurchase allowance of $25 million.

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(21)RELATED PARTY TRANSACTIONS

The Company entered into an agreement under which Avion, LLC ("Avion") and Airmax LLC ("Airmax") provide certain aviation flight services as requested by the Company. Such services include the use of an aircraft and flight crew. Kenneth D. Tuchman, Chairman and Chief Executive Officer of the Company, has a direct 100% beneficial ownership interest in Avion and Airmax. During 2015, 2014 and 2013, the Company expensed $1.7 million, $1.0 million and $0.6 million, respectively, to Avion and Airmax for services provided to the Company. There was $120 thousand outstanding to Avion and Airmax as of December 31, 2015.

During 2014, the Company entered into a vendor contract with Convercent Inc. to provide learning management and web and telephony based global helpline solutions. The majority owner of Convercent is a company which is owned and controlled by Kenneth D. Tuchman, Chairman and Chief Executive Officer of the Company. During 2015 and 2014, the Company paid $100 thousand and $20 thousand, respectively, to Convercent and is expecting to spend another $100 thousand during 2016.

During 2015, the Company entered into a vendor contract with Netlink to help the Company develop a key stroke monitoring solution. Shrikant Mehta, one of the Board of Directors, has an ownership interest in Netlink. During 2015, the Company paid $98 thousand to Netlink for these services.

During 2015, the Company entered into a contract to purchase software from CaféX, which is a company that TeleTech holds a 17.2% equity investment in. During the second quarter of 2015, the Company purchased $0.4 million of software from CaféX. See Note 2 for further information regarding this investment.

(22)OTHER FINANCIAL INFORMATION

Self-insurance liabilities of the Company which are included in Accrued employee compensation and benefits and Other accrued expenses in the accompanying Consolidated Balance Sheets were as follows (in thousands):

	December 31,	
	2015	2014
Worker's compensation	$ 2,320	$ 2,007
Employee health and dental insurance	4,429	4,769
Other insurance	1,202	1,068
Total self-insurance liabilities	$ 7,951	$ 7,844

(23)DECONSOLIDATION OF A SUBSIDIARY

During the second quarter of 2013, the Company concluded that it no longer had controlling influence over Peppers & Rogers Gulf WLL ("PRG Kuwait"), a once consolidated subsidiary in the CSS segment, because the Company was no longer confident that it could exercise its beneficial ownership rights. Upon deconsolidation of PRG Kuwait, the Company wrote off all PRG Kuwait assets and liabilities resulting in a loss of $3.7 million which was recorded in Loss on deconsolidation of subsidiary in the Consolidated Statements of Comprehensive Income (Loss). The $3.7 million loss included $1.3 million of goodwill allocated to PRG Kuwait immediately prior to deconsolidation based on PRG Kuwait's relative fair value of the CSS segment. Effective April 2014, the Company entered into a stock and membership interest purchase agreement with PRG Kuwait's other shareholder to sell its 48% interest in PRG Kuwait for $175 thousand. That agreement has not yet closed.

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(24)QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables present certain quarterly financial data for the year ended December 31, 2015 (in thousands except per share amounts).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 325,521	$ 310,223	$ 309,195	$ 341,816
Cost of services	232,984	223,617	225,978	245,668
Selling, general and administrative	50,237	47,376	48,418	48,575
Depreciation and amortization	15,363	15,680	15,486	17,279
Restructuring charges, net	809	198	622	185
Impairment losses	—	—	3,066	5,034
Income from operations	26,128	23,352	15,625	25,075
Other income (expense)	(1,688)	(18)	(1,995)	(590)
Provision for income taxes	(4,405)	(7,841)	(1,192)	(6,566)
Non-controlling interest	(1,263)	(797)	(1,243)	(916)
Net income attributable to TeleTech stockholders	$ 18,772	$ 14,696	$ 11,195	$ 17,003
Weighted average shares outstanding				
Basic	48,370	48,325	48,345	48,439
Diluted	49,158	49,064	48,936	48,853
Net income per share attributable to TeleTech stockholders				
Basic	$ 0.39	$ 0.30	$ 0.23	$ 0.35
Diluted	$ 0.38	$ 0.30	$ 0.23	$ 0.35

Included in the fourth quarter is an additional $2.9 million expense related to the correction of an error in goodwill impairment annual assessment that should have been recorded in the fourth quarter of 2014 and the third quarter of 2015. See Note 1 for further information.

Included in Other income (expense) in the second, the third and the fourth quarters are a $0.5 million benefit, a $0.8 million expense and a $0.3 million benefit related to fair value adjustments to the contingent consideration related to revised estimates of the performance against the targets for two of the Company’s acquisitions.

Included in the Provision for Income Taxes is a $0.3 million benefit in the first quarter, a $0.1 million benefit in the second quarter, a $0.2 million benefit in the third quarter and a $0.1 million benefit in the fourth quarter related to restructuring charges. Also included are a $0.3 million of benefit in the first quarter, $0.2 million of expense in the second quarter and $1.2 million of expense in the fourth quarter related to changes in valuation allowances. Additionally, in the second quarter there was $1.5 million of expense related to the recording of an uncertain tax position. Finally, there was a $0.5 million benefit in the first quarter related to tax rate changes, a $1.3 million benefit in the third quarter and a $1.3 million benefit in the fourth quarter related to impairments and $1.3 million of expense in the fourth quarter related to various state NOL's.

Included in the second quarter is a $1.75 million additional estimated tax liability that should have been recorded in prior periods related to ongoing discussions with relevant government authorities related to site compliance with tax advantaged status. See Note 1 for further information.

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The following tables present certain quarterly financial data for the year ended December 31, 2014 (in thousands except per share amounts).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 302,221	$ 295,490	$ 305,900	$ 338,170
Cost of services	213,787	212,315	220,244	240,146
Selling, general and administrative	50,367	47,802	49,847	50,537
Depreciation and amortization	13,170	14,089	13,893	15,386
Restructuring charges, net	540	617	593	1,600
Impairment losses	—	—	—	373
Income from operations	24,357	20,667	21,323	30,128
Other income (expense)	(178)	2,880	(856)	2,138
(Provision for) benefit from income taxes	(2,876)	(5,417)	(5,778)	(8,971)
Non-controlling interest	(1,085)	(1,268)	(1,442)	(1,329)
Net income attributable to TeleTech stockholders	$ 20,218	$ 16,862	$ 13,247	$ 21,966
Weighted average shares outstanding				
Basic	50,045	49,351	49,093	48,714
Diluted	50,973	50,111	49,940	49,514
Net income per share attributable to TeleTech stockholders				
Basic	$ 0.40	$ 0.34	$ 0.27	$ 0.45
Diluted	$ 0.40	$ 0.34	$ 0.27	$ 0.44

Included in Other income (expense) in the second and the fourth quarters are a $4.0 million benefit and a net $2.7 million benefit related to fair value adjustments to the contingent consideration related to revised estimates of the performance against the targets for four of the Company's acquisitions.

Included in the Provision for Income Taxes is a $0.2 million benefit in the first quarter, a $0.2 million benefit in the second quarter, a $0.2 million benefit in the third quarter and a $0.6 million benefit in the fourth quarter related to restructuring charges. Also included are a $0.6 million of benefit in the first quarter and $0.2 million of expense in the third quarter related to changes in valuation allowances. Additionally, in the second quarter there was $1.6 million of expense, $0.7 million of expense in the third quarter and $1.6 million of expense in the fourth quarter related to changes in the value of future contingent payments. Finally, there was $1.2 million of benefit in the first quarter related to the closing of a statute of limitations and $1.3 million of expense in the third quarter related to the Netherlands audit.

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EXHIBIT INDEX

Exhibit No.	Description
3.01**	Restated Certificate of Incorporation of TeleTech Holdings, Inc. filed with the State of Delaware on August 1, 1996 (incorporated by reference to Exhibit 3.1 to TeleTech's Amendment No. 2 to Form S-1 Registration Statement (Registration No. 333-04097) filed on July 5, 1996)
3.02**	Second Amended and Restated Bylaws of TeleTech (incorporated by reference to Exhibit 3.02 to TeleTech's Current Report on Form 8-K filed on May 28, 2009)
10.04**	TeleTech Holdings, Inc. Amended and Restated 1999 Stock Option and Incentive Plan (incorporated by reference as Exhibit 10.04 to TeleTech's Annual Report on Form 10-K for the year ended December 31, 2012)
10.06**	TeleTech Holdings, Inc. 2010 Equity Incentive Plan (incorporated by reference as Appendix A to TeleTech's Definitive Proxy Statement, filed April 12, 2010)
10.24**	Form of Restricted Stock Unit Agreement (Section 16 Officers) (incorporated by reference as Exhibit 4.3 to TeleTech's Form S-8 Registration Statement (Registration No. 333-167300) filed on June 3, 2010)
10.25**	Form of Restricted Stock Unit Agreement (Non-Section 16 Employees) (incorporated by reference as Exhibit 4.4 to TeleTech's Form S-8 Registration Statement (Registration No. 333-167300) filed on June 3, 2010)
10.27**	Form of Global Restricted Stock Unit Agreement (Operating Committee Member) (incorporated by reference to Exhibit 10.1 to TeleTech's Current Report on Form 8-K filed on May 1, 2013)
10.28**	Form of Global Restricted Stock Unit Agreement (Non-Operating Committee Member) (incorporated by reference as Exhibit 10.2 to TeleTech's Current Report on Form 8-K filed on May 1, 2013)
10.29**	Form of TeleTech Holdings, Inc. Restricted Stock Unit Award Agreement (other employees) effective July 1, 2014 (incorporated by reference as Exhibit 10.29 to TeleTech's Annual Report on Form 10-K for the year ended December 31, 2014)
10.30**	Form of TeleTech Holdings, Inc. Restricted Stock Unit Award Agreement (Directors and Executive Committee Members) effective July 1, 2014 (incorporated by reference as Exhibit 10.30 to TeleTech's Annual Report on Form 10-K for the year ended December 31, 2014)
10.31**	Form of Non-Qualified Stock Option Agreement (Non-Employee Director) (incorporated by reference as Exhibit 10.08 to TeleTech's Annual Report on Form 10-K for the year ended December 31, 2007)
10.32*	Independent Director Compensation Arrangements (effective January 1, 2016)
10.33**	

Form of Indemnification Agreement with Directors (incorporated by reference as Exhibit 10.1 to TeleTech's Current Report on Form 8-K filed on February 22, 2010)

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Exhibit No.	Description
10.40**	Employment Agreement between Kenneth D. Tuchman and TeleTech dated October 15, 2001 (incorporated by reference as Exhibit 10.68 to TeleTech's Annual Report on Form 10-K for the year ended December 31, 2001)
10.41**	Amendment to Employment Agreement between Kenneth D. Tuchman and TeleTech dated December 31, 2008 (incorporated by reference as Exhibit 10.17 to TeleTech's Annual Report on Form 10-K for the year ended December 31, 2008)
10.50**	Employment Agreement between James E. Barlett and TeleTech dated October 15, 2001 (incorporated by reference as Exhibit 10.66 to TeleTech's Annual Report on Form 10-K for the year ended December 31, 2001)
10.52**	Amendment to Employment Agreement between James E. Barlett and TeleTech dated December 31, 2008 (incorporated by reference as Exhibit 10.13 to TeleTech's Annual Report on Form 10-K for the year ended December 31, 2008)
10.54**	Second Amendment, dated as of April 19, 2011, to TeleTech Holdings, Inc. Restricted Stock Unit Agreement by and between TeleTech Holdings, Inc. and James E. Barlett dated June 22, 2007 (incorporated by reference as Exhibit 10.1 to TeleTech's Current Report on Form 8-K filed April 22, 2011)
10.60**	Employment Agreement between Regina Paolillo and TeleTech Holdings, Inc. effective as of November 3, 2011 (incorporated by reference as Exhibit 10.1 to TeleTech's Current Report on Form 8-K filed October 27, 2011)
10.62**	Restricted Stock Unit Agreement dated as of November 15, 2011 between TeleTech Holdings, Inc. and Regina Paolillo (RSU Performance Agreement) (incorporated by reference as Exhibit 10.2 to TeleTech's Current Report on Form 8-K/A filed November 21, 2011)
10.63**	Non-Qualified Stock Option Agreement dated as of November 15, 2011 between TeleTech Holdings, Inc. and Regina Paolillo (Option Agreement)(incorporated by reference as Exhibit 10.3 to TeleTech's Current Report on Form 8-K/A filed November 21, 2011)
10.80**	Employment Agreement between Keith Gallacher and TeleTech Services Corporation effective as of June 3, 2013 (incorporated by reference as Exhibit 10.2 to TeleTech's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013)
10.80**	Employment Agreement between Robert N. Jimenez and TeleTech Services Corporation effective as of April 20, 2015 (incorporated by reference as Exhibit 10.81 to TeleTech's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015)
10.90**	First Amendment to Amended and Restated Credit Agreement and First Amendment to Amended and Restated Security Agreement (collectively, "New Credit Agreement") for the senior secured revolving credit facility (the "New Credit Facility") with a syndicate of lenders (collectively, "Lenders") led by Wells Fargo Bank, National Association, as agent, swing line and fronting lender. The New Credit Agreement amends the Company's prior Amended and Restated Credit Agreement and Amended and Restated Security Agreement dated as of June 3, 2013 (the "Prior Credit Facility"). (Incorporated by reference to

	Exhibit 10.90 to TeleTech's Form 8-K filed on February 16, 2016)
-	
21.1*	List of subsidiaries

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Exhibit No.	Description
23.1*	Consent of Independent Registered Public Accounting Firm
24.1*	Power of Attorney
31.1*	Rule 13a-14(a) Certification of CEO of TeleTech
31.2*	Rule 13a-14(a) Certification of CFO of TeleTech
32.1*	Written Statement of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
32.2*	Written Statement of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
101.INS***	XBRL Instance Document
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document

*Filed or furnished herewith.

**Identifies exhibit that consists of or includes a management contract or compensatory plan or arrangement.

***Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2015 and 2014, (ii) Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2015, 2014 and 2013, (iii) Consolidated Statements of Stockholders’ Equity for the years ended December 31, 2015, 2014 and 2013, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013, and (v) Notes to Consolidated Financial Statements.