

Gabelli Healthcare & WellnessRx Trust
Form N-CSR
March 11, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act file number 811-22021

The Gabelli Healthcare & Wellness^{Rx} Trust

(Exact name of registrant as specified in charter)

One Corporate Center

Rye, New York 10580-1422

(Address of principal executive offices) (Zip code)

Agnes Mullady

Gabelli Funds, LLC

One Corporate Center

Rye, New York 10580-1422

(Name and address of agent for service)

Registrant's telephone number, including area code: 1-800-422-3554

Date of fiscal year end: December 31

Date of reporting period: December 31, 2012

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct

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comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Reports to Stockholders.

The Report to Shareholders is attached herewith.

The Gabelli Healthcare & Wellness^{Rx} Trust

Annual Report December 31, 2012

Portfolio Management Team

To Our Shareholders,

For the year ended December 31, 2012, the net asset value (NAV) total return of The Gabelli Healthcare & WellnessTrust (the Fund) was 25.4%, compared with a total return of 17.9% for the Standard & Poor s (S&P) 500 Health Care Index. The total return for the Fund s publicly traded shares was 36.3%. On December 31, 2012, the Fund s NAV per share was \$9.55, while the price of the publicly traded shares closed at \$8.62 on the New York Stock Exchange (NYSE). See page 2 for additional performance information.

Enclosed are the schedule of investments and financial statements as of December 31, 2012.

Sincerely yours,

Agnes Mullady

President

February 22, 2013

Comparative Results

Average Annual Returns through December 31, 2012 (a) (Unaudited)

	1 Year	3 Year	5 Year	Since Inception (06/28/07)
Gabelli Healthcare & Wellness^{Rx} Trust				
NAV Total Return (b)	25.37%	14.19%	7.72%	7.17%
Investment Total Return (c)	36.33	15.40	7.96	5.01
S&P 500 Health Care Index	17.89	11.00	4.79	4.45
S&P 500 Index	16.00	10.87	1.66	1.26(d)
S&P 500 Consumer Staples Index	10.76	12.94	6.96	7.93

- (a) **Returns represent past performance and do not guarantee future results.** Investment returns and the principal value of an investment will fluctuate. When shares are sold, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing.** The S&P 500 Health Care Index is an unmanaged indicator of health care equipment and services, pharmaceuticals, biotechnology, and life sciences stock performance. The S&P 500 Index is an unmanaged indicator of stock market performance. The S&P 500 Consumer Staples Index is an unmanaged indicator of food and staples retailing, food, beverage and tobacco, and household and personal products stock performance. Dividends are considered reinvested. You cannot invest directly in an index.
- (b) Total returns and average annual returns reflect changes in the NAV per share and reinvestment of distributions at NAV on the ex-dividend date and are net of expenses. Since inception return is based on an initial NAV of \$8.00.
- (c) Total returns and average annual returns reflect changes in closing market values on the NYSE and reinvestment of distributions. Since inception return is based on an initial offering price of \$8.00.
- (d) From June 30, 2007, the date closest to the Fund's inception for which data is available.

Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of total investments as of December 31, 2012:

The Gabelli Healthcare & Wellness^{Rx} Trust

Food	26.6%
Health Care Providers and Services	17.3%
Pharmaceuticals	12.9%
Health Care Equipment and Supplies	11.7%
U.S. Government Obligations	11.2%
Food and Staples Retailing	8.7%
Beverages	7.4%
Biotechnology	2.0%
Consumer Services and Supplies	0.6%
Materials	0.5%
Specialty Chemicals	0.4%
Household and Personal Products	0.2%
Hotels and Gaming	0.2%
Computer Software and Services	0.2%
Health Care	0.1%
Retail	0.0%
	100.0%

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The Fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain this information at www.gabelli.com or by calling the Fund at 800-GABELLI (800-422-3554). The Fund's Form N-Q is available on the SEC's website at www.sec.gov and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 800-SEC-0330.

Proxy Voting

The Fund files Form N-PX with its complete proxy voting record for the twelve months ended June 30, no later than August 31 of each year. A description of the Fund's proxy voting policies, procedures, and how the Fund voted proxies relating to portfolio securities is available without charge, upon request, by (i) calling 800-GABELLI (800-422-3554); (ii) writing to The Gabelli Funds at One Corporate Center, Rye, NY 10580-1422; or (iii) visiting the SEC's website at www.sec.gov.

The Gabelli Healthcare & Wellness^{Rx} Trust**Schedule of Investments December 31, 2012**

		Market
Shares		Value
COMMON STOCKS 88.7%		
Beverages 7.4%		
160,000	DE Master Blenders 1753 NV	\$ 1,841,394
45,000	Dr Pepper Snapple Group Inc.	1,988,100
26,000	ITO EN Ltd.	477,174
8,000	Mead Johnson Nutrition Co.	527,120
15,000	Morinaga Milk Industry Co. Ltd.	47,787
400,000	Parmalat SpA	929,250
30,000	PepsiCo Inc.	2,052,900
60,000	The Coca-Cola Co.	2,175,000
424,000	Vitasoy International Holdings Ltd.	433,253
		8,863,748
		10,471,978
Biotechnology 2.0%		
70,000	3SBio Inc., ADR	954,800
318,600	Complete Genomics Inc.	1,003,590
1,000	Illumina Inc.	55,590
100,000	Lexicon Pharmaceuticals Inc.	222,000
210,000	NeoGenomics Inc.	520,800
		2,369,454
		2,756,780
Computer Software and Services 0.2%		
15,000	Computer Task Group Inc.	273,450
Consumer Services and Supplies 0.6%		
15,000	Weight Watchers International Inc.	785,400
Food 26.6%		
6,000	Calavo Growers Inc.	151,260
10,000	Campbell Soup Co.	348,900
10,000	ConAgra Foods Inc.	295,000
24,000	Danone SA.	1,580,940
25,000	Dean Foods Co.	412,750
45,000	Flowers Foods Inc.	1,047,150
60,000	General Mills Inc.	2,424,600
20,000	H.J. Heinz Co.	1,153,600
40,000	Hillshire Brands Co.	1,125,600
70,200	Inventure Foods Inc.	455,598
38,500	Kellogg Co.	2,150,225
29,000	Kerry Group plc, Cl. A	1,524,261
140,000	Kikkoman Corp.	1,987,649
25,000	Kraft Foods Group Inc.	1,136,750
80,000	Lifeway Foods Inc.	699,200
10,000	MEIJI Holdings Co. Ltd.	431,696
65,000	Mondelez International Inc., Cl. A.	1,655,550
61,000	Nestlé SA	3,974,854
10,000	Post Holdings Inc.	342,500
35,000	Ralcorp Holdings Inc.	3,137,750

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6,000	Rock Field Co. Ltd.	81,896	99,659
117,000	Smart Balance Inc.	682,507	1,509,300
			Market
Shares		Cost	Value
58,200	Snyders-Lance Inc.	\$ 1,149,119	\$ 1,403,202
22,000	The Hain Celestial Group Inc.	380,418	1,192,840
24,000	The J.M. Smucker Co.	1,307,314	2,069,760
110,000	Tingyi (Cayman Islands) Holding Corp.	176,608	305,837
60,000	Unilever plc, ADR	1,850,196	2,323,200
58,000	Yakult Honsha Co. Ltd.	1,552,813	2,527,270
		27,642,212	37,466,901

Food and Staples Retailing 8.7%

82,000	CVS Caremark Corp.	2,780,246	3,964,700
10,000	GNC Holdings, Inc., Cl. A	310,356	332,800
30,000	Ingles Markets Inc., Cl. A	454,430	517,800
40,000	The Kroger Co.	852,218	1,040,800
30,000	United Natural Foods Inc.	1,034,476	1,607,700
10,000	Vitamin Shoppe, Inc.	458,507	573,600
40,000	Walgreen Co.	1,311,835	1,480,400
29,600	Whole Foods Market Inc.	797,514	2,703,368
		7,999,582	12,221,168

Health Care Equipment and Supplies 11.7%

15,000	Baxter International Inc.	858,102	999,900
12,500	Becton, Dickinson and Co.	993,583	977,375
65,000	Boston Scientific Corp.	468,796	372,450
28,200	Cantel Medical Corp	691,159	838,386
41,000	Covidien plc.	1,694,304	2,367,340
37,000	Cutera Inc.	380,166	333,000
7,000	Exactech Inc.	122,219	118,650
30,000	Gerresheimer AG	1,327,264	1,587,711
20,000	Greatbatch Inc.	401,189	464,800
9,400	Henry Schein Inc.	418,608	756,324
5,000	Hospira Inc.	171,333	156,200
20,000	ICU Medical Inc.	831,603	1,218,600
13,000	MAKO Surgical Corp.	272,728	167,310
15,500	Medtronic Inc.	625,120	635,810
35,000	Orthofix International NV	1,184,835	1,376,550
14,000	Palomar Medical Technologies Inc.	167,581	128,940
45,000	Q-Med AB, Escrow (a)	0	0
118,000	Rochester Medical Corp.	1,165,310	1,189,440
20,000	Stryker Corp.	1,026,506	1,096,400
15,000	The Cooper Companies Inc.	1,112,547	1,387,200
25,000	Vascular Solutions Inc.	245,684	395,000
		14,158,637	16,567,386

Health Care Providers and Services 17.3%

347,348	Adcare Health Systems Inc.	1,236,371	1,649,903
25,000	Aetna Inc.	1,074,473	1,157,500
50,000	AmerisourceBergen Corp.	1,476,790	2,159,000
21,445	Chemed Corp.	1,106,091	1,470,913
30,000	Cigna Corp.	1,113,675	1,603,800
20,000	DaVita HealthCare Partners Inc.	2,176,594	2,210,600

See accompanying notes to financial statements.

The Gabelli Healthcare & Wellness^{Rx} Trust**Schedule of Investments (Continued) December 31, 2012**

Shares		Cost	Market Value
COMMON STOCKS (Continued)			
Health Care Providers and Services (Continued)			
50,000	Express Scripts Holding Co.	\$ 2,380,668	\$ 2,700,000
109,000	Gentiva Health Services Inc.	1,066,651	1,095,450
30,000	HCA Holdings Inc.	923,512	905,100
15,000	Humana Inc.	1,047,779	1,029,450
23,000	McKesson Corp.	1,524,173	2,230,080
20,250	Owens & Minor Inc.	501,559	577,328
167,581	Sunrise Senior Living Inc.	2,393,189	2,409,815
37,500	Tenet Healthcare Corp.	924,625	1,217,625
31,000	UnitedHealth Group Inc.	1,262,149	1,681,440
20,000	WuXi PharmaTech Cayman Inc., ADR	271,142	315,000
		20,479,441	24,413,004
Hotels and Gaming 0.2%			
7,922	Ryman Hospitality Properties Inc	190,590	304,676
Household and Personal Products 0.2%			
23,000	Avon Products Inc	453,733	330,280
Materials 0.5%			
50,000	Sparton Corp.	623,344	693,500
Pharmaceuticals 12.9%			
30,000	Abbott Laboratories	1,498,871	1,965,000
1,000	Allergan Inc.	70,890	91,730
30,721	BioScrip Inc.	300,107	330,865
80,000	Bristol-Myers Squibb Co.	2,365,477	2,607,200
10,000	Endo Health Solutions Inc.	313,704	262,700
43,000	Johnson & Johnson	2,559,340	3,014,300
50,000	Merck & Co. Inc.	1,719,422	2,047,000
60,000	Mylan Inc.	946,512	1,648,800
50,000	Pfizer Inc	936,615	1,254,000
6,000	Roche Holding AG, ADR	250,095	303,000
31,800	Watson Pharmaceuticals Inc.	1,839,909	2,734,800
700,000	YM Biosciences Inc.	2,035,000	2,009,000
		14,835,942	18,268,395
Retail 0.0%			
1,000	Nutraceutical International Corp.	16,338	16,540
Specialty Chemicals 0.4%			
10,000	FMC Corp.	393,194	585,200
	TOTAL COMMON STOCKS	98,661,276	125,154,658

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Shares		Cost	Market Value
	RIGHTS 0.1%		
	Health Care 0.1%		
40,000	American Medical Alert Corp. (a)	\$ 0	\$ 400
110,000	Sanofi, CVR, expire 12/31/20	192,666	187,550
	TOTAL RIGHTS	192,666	187,950

Principal Amount			
	U.S. GOVERNMENT OBLIGATIONS 11.2%		
\$15,820,000	U.S. Treasury Bills, 0.100% to 0.150% , 01/03/13 to 06/13/13	15,814,048	15,815,685
	TOTAL INVESTMENTS 100.0%	\$ 114,667,990	141,158,293

Other Assets and Liabilities (Net) (3,977,523)

PREFERRED STOCK
(1,200,000 preferred shares outstanding) (30,000,000)

NET ASSETS COMMON STOCK
(11,217,460 common shares outstanding) \$ 107,180,770

NET ASSET VALUE PER COMMON SHARE
(\$107,180,770 ÷ 11,217,460 shares outstanding) \$ 9.55

(a) Security fair valued under procedures established by the Board of Trustees. The procedures may include reviewing available financial information about the company and reviewing the valuation of comparable securities and other factors on a regular basis. At December 31, 2012, the market value of fair valued securities amounted to \$400 or 0.00% of total investments.

Non-income producing security.

Represents annualized yield at date of purchase.

ADR American Depositary Receipt

CVR Contingent Value Right

Geographic Diversification	% of Market Value	Market Value
North America	81.9%	\$ 115,582,117
Europe	11.8	16,619,500
Japan	3.9	5,571,236
Asia/Pacific	1.4	2,008,890
Latin America	1.0	1,376,550
Total Investments	100.0%	\$ 141,158,293

See accompanying notes to financial statements.

The Gabelli Healthcare & Wellness^{Rx} Trust

Statement of Assets and Liabilities

December 31, 2012

Assets:	
Investments, at value (cost \$114,667,990)	\$ 141,158,293
Cash	50,166
Dividends receivable	167,176
Deferred offering expense	92,439
Prepaid expenses	4,505
Total Assets	141,472,579
Liabilities:	
Distributions payable	28,800
Payable for investments purchased	3,905,435
Payable for investment advisory fees	119,055
Payable for payroll expenses	47,686
Payable for accounting fees	3,750
Other accrued expenses	187,083
Total Liabilities	4,291,809
Preferred Shares:	
Series A Cumulative Preferred Shares (5.760%, \$25 liquidation value, \$0.001 par value, 1,200,000 shares authorized, issued, and outstanding)	30,000,000
Net Assets Attributable to Common Shareholders	\$ 107,180,770
Net Assets Attributable to Common Shareholders Consist of:	
Paid-in capital	\$ 81,158,151
Accumulated distributions in excess of net investment income	(28,800)
Accumulated distributions in excess of net realized gain on investments and foreign currency transactions	(439,254)
Net unrealized appreciation on investments	26,490,303
Net unrealized appreciation on foreign currency translations	370
Net Assets	\$ 107,180,770
Net Asset Value per Common Share:	
(\$107,180,770 ÷ 11,217,460 shares out standing at \$0.001 par value; unlimited number of shares authorized)	<u>\$9.55</u>

Statement of Operations

For the Year Ended December 31, 2012

Investment Income:	
Dividends (net of foreign withholding taxes of \$17,920)	\$ 2,716,062

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Interest	13,802
Total Investment Income	2,729,864
Expenses:	
Investment advisory fees	1,392,435
Shareholder communications expenses	274,329
Payroll expenses	144,599
Shareholder services fees	80,712
Trustees fees	61,170
Accounting fees	45,000
Legal and audit fees	44,147
Custodian fees	12,654
Miscellaneous expenses	62,340
Total Expenses	2,117,386
Net Investment Income	612,478
Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Currency:	
Net realized gain on investments	13,448,568
Net realized loss on foreign currency transactions	(2,141)
Net realized gain on investments and foreign currency transactions	13,446,427
Net change in unrealized appreciation/depreciation: on investments	11,832,234
on foreign currency translations	(776)
Net change in unrealized appreciation/depreciation on investments and foreign currency translations	11,831,458
Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Currency	25,277,885
Net Increase in Net Assets Resulting from Operations	25,890,363
Total Distributions to Preferred Shareholders	(1,732,800)
Net Increase in Net Assets Attributable to Common Shareholders Resulting from Operations	\$ 24,157,563

See accompanying notes to financial statements.

The Gabelli Healthcare & Wellness^{Rx} Trust**Statement of Changes in Net Assets Attributable To Common Shareholders**

	Year Ended December 31, 2012	Year Ended December 31, 2011
Operations:		
Net investment income/(loss)	\$ 612,478	\$ (392,119)
Net realized gain on investments and foreign currency transactions	13,446,427	3,929,212
Net change in unrealized appreciation/depreciation on investments and foreign currency translations	11,831,458	4,567,847
Net Increase in Net Assets Resulting from Operations.	25,890,363	8,104,940
Distributions to Preferred Shareholders:		
Net investment income	(76,394)	
Net realized short-term gain	(438,615)	
Net realized long-term gain	(1,217,791)	(1,728,000)
Total Distributions to Preferred Shareholders	(1,732,800)	(1,728,000)
Net Increase in Net Assets Attributable to Common Shareholders Resulting from Operations.	24,157,563	6,376,940
Distributions to Common Shareholders:		
Net investment income	(538,741)	
Net realized short-term gain	(3,093,187)	
Net realized long-term gain	(8,588,060)	
Return of capital	(231,393)	
Total Distributions to Common Shareholders	(12,451,381)	
Fund Share Transactions:		
Net increase in net assets from common shares issued in rights offering		18,262,221
Net decrease from repurchase of common shares.	(98,464)	(77,575)
Offering costs for common shares charged to paid-in capital	(3,063)	(423,803)
Offering costs for preferred shares charged to paid-in capital		(1,488)

(2)

>
Effect of
foreign
currency
translation.

Fourth Quarter 2010 Exit Plan

During the quarter ended December 31, 2010, in furtherance of the Company's long-term goals to manage and optimize capacity utilization, the Company committed to and closed a customer contact management center in the United Kingdom and a customer contact management center in Ireland, both components of the EMEA segment (the Fourth Quarter 2010 Exit Plan). These actions further enabled the Company to reduce operating costs by eliminating additional redundant space and to optimize capacity utilization rates where overlap exists. These actions were substantially completed by January 31, 2011. None of the revenues from the United Kingdom or Ireland facilities, which were approximately \$1.3 million on an annualized basis, were captured and migrated to other facilities within the region. Loss from operations of the United Kingdom and Ireland are not material to the consolidated income (loss) from continuing operations; therefore, their results of operations have not been presented

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as discontinued operations in the accompanying Condensed Consolidated Statements of Operations.

The major costs incurred as a result of these actions are facility-related costs (primarily consisting of those costs associated with the real estate leases), impairments of long-lived assets (primarily leasehold improvements and equipment) and severance-related costs totaling \$2.6 million as of September 30, 2011 (\$2.1 million as of December 31, 2010). This increase of \$0.5 million included in General and administrative costs in the accompanying Condensed Consolidated Statement of Operations during the nine months ended September 30, 2011 is primarily due to the change in estimate of lease termination costs (none in the three months ended September 30, 2011). The Company recorded \$0.2 million of the costs associated with the Fourth Quarter 2010 Exit Plan as non-cash impairment charges. Approximately \$2.2 million represents cash expenditures for facility-related costs, primarily rent obligations to be paid through the remainder of the lease terms, the last of which ends in March 2014, and \$0.2 million represents cash expenditures for severance related costs. The Company has paid \$0.9 million in cash through September 30, 2011 of the facility-related and severance-related costs.

The following table summarizes the accrued liability associated with the Fourth Quarter 2010 Exit Plan's exit or disposal activities and related charges for the three months ended September 30, 2011 (none in the three months ended September 30, 2010):

	Beginning Accrual at July 1, 2011	Charges for the Three Months Ended September 30, 2011	Cash Payments	Other Non- Cash Changes ⁽¹⁾	Ending Accrual at September 30, 2011	Short-term ⁽²⁾ / Long-term ⁽³⁾	
Lease obligations and facility exit costs	\$ 1,652	\$	\$ (8)	\$ (93)	\$ 1,551	\$ 1,010	\$ 541

(1) Effect of foreign currency translation.

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

(3) Included in Other long-term liabilities in the accompanying Condensed Consolidated Balance Sheet.

The following table summarizes the accrued liability associated with the Fourth Quarter 2010 Exit Plan's exit or disposal activities and related charges for the nine months ended September 30, 2011 (none in the nine months ended September 30, 2010):

	Beginning Accrual at January 1, 2011	Charges for the Nine Months Ended September 30, 2011 ⁽¹⁾	Cash Payments	Other Non- Cash Changes ⁽²⁾	Ending Accrual at September 30, 2011

Lease obligations and facility exit costs	\$	1,711	\$	523	\$	(671)	\$	(12)	\$	1,551
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(1) During 2011, the Company recorded additional lease termination costs, which are included in General and administrative costs in the accompanying Condensed Consolidated Statement of Operations.

(2) Effect of foreign currency translation.

ICT Restructuring Plan

As of February 2, 2010, the Company assumed the liabilities of ICT, including restructuring accruals in connection with ICT's plans to reduce its overall cost structure and adapt to changing economic conditions by closing various customer contact management centers in Europe and Canada prior to the end of their existing lease terms (the ICT Restructuring Plan). These restructuring accruals, which related to ongoing lease and other contractual obligations, are expected to be paid by the end of December 2011. Since acquiring ICT in February 2010, the Company has paid \$1.5 million in cash through September 30, 2011 related to the ICT Restructuring Plan.

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The following tables summarize the accrued liability associated with the ICT Restructuring Plan's exit or disposal activities for the three months ended September 30, 2011 and 2010:

	Beginning Accrual at July 1, 2011	Charges for the Three Months		Cash Payments	Other Non- Cash Changes ⁽¹⁾	Ending Accrual at September 30, 2011	Short-term ⁽²⁾ Long-term ⁽³⁾	
		Ended September 30, 2011						
Lease obligations and facility exit costs	\$ 507	\$		\$ (28)	\$ (13)	\$ 466	\$ 466	\$

	Beginning Accrual at July 1, 2010	Charges for the Three Months		Cash Payments	Other Non- Cash Changes ⁽¹⁾	Ending Accrual at September 30, 2010	Short-term ⁽²⁾ Long-term ⁽³⁾	
		Ended September 30, 2010						
Lease obligations and facility exit costs	\$ 2,197	\$		\$ (476)	\$	\$ 1,721	\$ 1,721	\$

(1) Effect of foreign currency translation.

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

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

The following tables summarize the accrued liability associated with the ICT Restructuring Plan's exit or disposal activities for the nine months ended September 30, 2011 and 2010:

	Beginning Accrual at January 1, 2011	Charges for the Nine Months		Cash Payments	Other Non- Cash Changes ⁽²⁾	Ending Accrual at September 30, 2011
		Ended September 30, 2011 ⁽¹⁾				

Lease obligations and facility exit costs	\$	1,462	\$	(262)	\$	(721)	\$	(13)	\$	466
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		Accrual Assumed Upon Acquisition of							
	Beginning Accrual at January 1, 2010	ICT on February 2, 2010⁽¹⁾	Cash Payments	Other Non- Cash Changes⁽²⁾	Ending Accrual at September 30, 2010				
Lease obligations and facility exit costs	\$	\$	2,197	\$	(476)	\$		\$	1,721

(1) During 2011, the Company reversed accruals related to the final settlement of termination costs, which reduced General and administrative costs in the accompanying Condensed Consolidated Statements of Operations. During 2010, upon acquisition of ICT on February 2, 2010, the Company assumed ICT's restructuring accruals.

(2) Effect of foreign currency translation.

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The Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 subject to the requirements of ASC 820 consist of the following (in thousands):

	Fair Value Measurements at September 30, 2011 Using:			
	Balance at September 30, 2011	Quoted Prices in Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Assets:				
Money market funds and open-end mutual funds included in Cash and cash equivalents ⁽¹⁾	\$ 36,115	\$ 36,115	\$	\$
Money market funds and open-end mutual funds in Deferred charges and other assets ⁽¹⁾	1,118	1,118		
Foreign currency forward contracts ⁽²⁾	3,090		3,090	
Foreign currency option contracts ⁽²⁾	236		236	
Equity investments held in a rabbi trust for the Deferred Compensation Plan ⁽³⁾	2,502	2,502		
Debt investments held in a rabbi trust for the Deferred Compensation Plan ⁽³⁾	1,249	1,249		
Guaranteed investment certificates ⁽⁴⁾	65		65	
	\$ 44,375	\$ 40,984	\$ 3,391	\$
Liabilities:				
Foreign currency forward contracts ⁽⁵⁾	\$ 1,429	\$	\$ 1,429	\$
	\$ 1,429	\$	\$ 1,429	\$

(1) In the accompanying Condensed Consolidated Balance Sheet.

(2) Included in Other current assets in the accompanying Condensed Consolidated Balance Sheet. See Note 7.

(3) Included in Other current assets in the accompanying Condensed Consolidated Balance Sheet. See Note 8.

(4) Included in Deferred charges and other assets in the accompanying Condensed Consolidated Balance Sheet.

(5) Included in Other accrued expenses and current liabilities in the accompanying Condensed Consolidated Balance Sheet. See Note 7.

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The Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 subject to the requirements of ASC 820 consist of the following (in thousands):

	Fair Value Measurements at December 31, 2010 Using:			
	Balance at December 31, 2010	Quoted Prices in Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Assets:				
Money market funds and open-end mutual funds included in Cash and cash equivalents ⁽¹⁾	\$ 5,893	\$ 5,893	\$	\$
Money market funds and open-end mutual funds in Deferred charges and other assets ⁽¹⁾	747	747		
Foreign currency forward contracts ⁽²⁾	1,283		1,283	
Foreign currency option contracts ⁽²⁾	4,951		4,951	
Equity investments held in a rabbi trust for the Deferred Compensation Plan ⁽³⁾	2,647	2,647		
Debt investments held in a rabbi trust for the Deferred Compensation Plan ⁽³⁾	789	789		
U.S. Treasury Bills held in a rabbi trust for the former ICT chief executive officer ⁽³⁾	118	118		
Guaranteed investment certificates ⁽⁴⁾	53		53	
	\$ 16,481	\$ 10,194	\$ 6,287	\$
Liabilities:				
Foreign currency forward contracts ⁽⁵⁾	\$ 735	\$	\$ 735	\$
	\$ 735	\$	\$ 735	\$

(1) In the accompanying Condensed Consolidated Balance Sheet.

(2) Included in Other current assets in the accompanying Condensed Consolidated Balance Sheet. See Note 7.

(3) Included in Other current assets in the accompanying Condensed Consolidated Balance Sheet. See Note 8.

(4) Included in Deferred charges and other assets in the accompanying Condensed Consolidated Balance Sheet.

(5) Included in Other accrued expenses and current liabilities in the accompanying Condensed Consolidated Balance Sheet. See Note 7.

Certain assets, under certain conditions, are measured at fair value on a nonrecurring basis utilizing Level 3 inputs as described in Note 1, Business, Basis of Presentation and Summary of Significant Accounting Policies, like those associated with acquired businesses, including goodwill and other intangible assets and other long-lived assets. For

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these assets, measurement at fair value in periods subsequent to their initial recognition would be applicable if one or more of these assets was determined to be impaired. The Company's assets measured at fair value on a nonrecurring basis (no liabilities) as of September 30, 2011 subject to the requirements of ASC 820 consist of the following (in thousands):

	Balance at September 30, 2011	Three Months Ended September 30, 2011 Total Impairment (Losses)	Nine Months Ended September 30, 2011 Total Impairment (Losses)	Balance at December 31, 2010	Three Months Ended September 30, 2010 Total Impairment (Losses)	Nine Months Ended September 30, 2010 Total Impairment (Losses)
Assets:						
Americas:						
Property and equipment, net ⁽¹⁾	\$ 82,435	\$ (38)	\$ (764)	\$ 99,089	\$ (3,103)	\$ (3,103)
EMEA:						
Goodwill ⁽¹⁾					(84)	(84)
Intangibles, net ⁽¹⁾					(278)	(278)
					(362)	(362)
Property and equipment, net ⁽¹⁾	13,164			14,614		
	\$ 95,599	\$ (38)	\$ (764)	\$ 113,703	\$ (3,465)	\$ (3,465)

⁽¹⁾ See Note 1 for additional information regarding the fair value measurement.

During the three and nine months ended September 30, 2011, in connection with its periodic review for impairment, the Company determined that the carrying value of certain long-lived assets, primarily leasehold improvements, in

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one of its underutilized customer contact management centers in the U.S. (a component of the Americas segment), were no longer recoverable and recorded an impairment charge of less than \$0.1 million. The impairment charge represented the amount by which the carrying value exceeded the fair value of these assets which cannot be redeployed to other locations.

In addition, during the nine months ended September 30, 2011 in connection with the Third Quarter 2010 Exit Plan within the Americas segment, as discussed more fully in Note 4, Costs Associated with Exit or Disposal Activities, the Company recorded an impairment charge of \$0.7 million, resulting from a change in assumptions related to the redeployment of property and equipment.

Based on actual and forecasted operating results and deterioration of the related customer base in the Company's United Kingdom operations during the quarter ended September 30, 2010, the EMEA segment recorded an impairment loss of \$0.1 million on goodwill and \$0.3 million on intangibles (primarily customer relationships) during the three and nine months ended September 30, 2010.

During the three and nine months ended September 30, 2010, in connection with its periodic review for impairment, the Company determined that the carrying value of certain long-lived assets, primarily leasehold improvements, in one of its underutilized customer contact management centers in Argentina (a component of the Americas segment), were no longer recoverable and recorded an impairment charge of \$0.5 million. The impairment charge represented the amount by which the carrying value exceeded the fair value of these assets which cannot be redeployed to other locations. The Argentine operations were sold in December 2010 (See Note 3, Discontinued Operations).

In addition, during the three and nine months ended September 30, 2010 in connection with a plan to close and consolidate facilities within the Americas segment as discussed more fully in Note 4, Costs Associated with Exit or Disposal Activities, the Company recorded an impairment charge of \$3.1 million, comprised of a \$2.9 million impairment of long-lived assets for leasehold improvements in certain of its underutilized customer contact management centers in the Philippines and a \$0.2 million impairment of long-lived assets for leasehold improvements related to a plan to consolidate corporate leased space in the United States.

Note 6. Goodwill and Intangible Assets

The following table presents the Company's purchased intangible assets as of September 30, 2011 (in thousands):

	Gross Intangibles	Accumulated Amortization	Net Intangibles	Weighted Average Amortization Period (years)
Customer relationships	\$ 57,534	\$ (12,137)	\$ 45,397	8
Trade name	1,000	(556)	444	3
Non-compete agreements	560	(560)		1
Proprietary software	850	(657)	193	2
	\$ 59,944	\$ (13,910)	\$ 46,034	8

The following table presents the Company's purchased intangible assets as of December 31, 2010 (in thousands):

	Gross Intangibles	Accumulated Amortization	Net Intangibles	Weighted Average Amortization Period (years)
Customer relationships	\$ 58,471	\$ (6,839)	\$ 51,632	8
Trade name	1,000	(306)	694	3
Non-compete agreements	560	(513)	47	1

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Proprietary software	850	(471)	379	2
	\$ 60,881	\$ (8,129)	\$ 52,752	8
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The following table presents amortization expense, related to the purchased intangible assets resulting from acquisitions (other than goodwill), included in General and administrative costs in the accompanying Condensed Consolidated Statements of Operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Amortization expense	\$ 1,978	\$ 2,147	\$ 6,010	\$ 5,723

The Company's estimated future amortization expense for the five succeeding years is as follows (in thousands):

Years Ending December 31,	Amount
2011 (remaining three months)	\$ 1,801
2012	7,622
2013	7,224
2014	7,162
2015	7,159
2016	7,159
2017 and thereafter	7,907

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

	Gross Amount	Accumulated Impairment Losses	Net Amount
Americas:			
Balance at January 1, 2011	\$ 122,932	\$ (629)	\$ 122,303
Foreign currency translation	(2,199)		(2,199)
Balance at September 30, 2011	120,733	(629)	120,104
EMEA:			
Balance at January 1, 2011	84	(84)	
Foreign currency translation			
Balance at September 30, 2011	84	(84)	
	\$ 120,817	\$ (713)	\$ 120,104

Note 7. Financial Derivatives

Cash Flow Hedges The Company had derivative assets and liabilities relating to outstanding forward contracts and options, designated as cash flow hedges, as defined under ASC 815, consisting of Philippine Peso, Canadian Dollar and Costa Rican Colones contracts. These contracts are entered into to protect against the risk that the eventual cash flows resulting from such transactions will be adversely affected by changes in exchange rates.

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

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	September 30, 2011	December 31, 2010
Deferred gains (losses) in AOCI	\$ (2,699)	\$ 2,674
Tax on deferred gains (losses) in AOCI	427	(528)
Deferred gains (losses), net of taxes in AOCI	\$ (2,272)	\$ 2,146
Deferred gains (losses) expected to be reclassified to Revenues from AOCI during the next twelve months	\$ (2,699)	

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

Non-Designated Hedges The Company also periodically enters into foreign currency hedge contracts that are not designated as hedges as defined under ASC 815. The purpose of these derivative instruments is to protect our interests against adverse foreign currency moves pertaining to intercompany receivables and payables, and other assets and liabilities that are denominated in currencies other than our subsidiaries functional currencies. These contracts generally do not exceed 90 days in duration.

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

Contract Type	As of September 30, 2011		As of December 31, 2010	
	Notional Amount in USD	Settle Through Date	Notional Amount in USD	Settle Through Date
Cash flow hedges: ⁽¹⁾				
Options:				
Philippine Pesos	\$ 111,500	September 2012	\$ 81,100	December 2011
Forwards:				
Philippine Pesos	\$ 18,500	March 2012	\$ 28,000	September 2011
Canadian Dollars	\$ 1,800	December 2011	\$ 7,200	December 2011
Costa Rican Colones	\$ 24,000	June 2012	\$	
Non-designated hedges: ⁽²⁾				
Forwards	\$ 55,667	March 2012	\$ 57,791	February 2011

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

⁽²⁾ Foreign currency hedge contract not designated as a hedge as defined under ASC 815. Purpose is to reduce the effects on the Company's operating results and cash flows from fluctuations caused by volatility in currency exchange rates, primarily related to intercompany loan payments and cash held in non-functional currencies.

See Note 1, Business, Basis of Presentation and Summary of Significant Accounting Policies, for additional information on the Company's purpose for entering into derivatives not designated as hedging instruments and its overall risk management strategies.

As of September 30, 2011, the maximum amount of loss due to credit risk that, based on the gross fair value of the financial instruments, the Company would incur if parties to the financial instruments that make up the concentration failed to perform according to the terms of the contracts is \$3.3 million.

Net Investment Hedge During the nine months ended September 30, 2010, the Company entered into foreign exchange forward contracts to hedge its net investment in a foreign operation, as defined under ASC 815. The aggregate notional value of these hedges was \$26.1 million as of September 30, 2010. The Company recorded deferred (losses) of \$(3.1) million and \$(2.1) million, net of taxes, for the three and nine months ended September 30, 2010, respectively, as a currency translation adjustment, a component of AOCI, offsetting foreign exchange losses attributable to the translation of the net investment. During the three and nine months ended September 30, 2010, net investment hedges settled at a loss of \$1.4 million, net of taxes, included as a component of AOCI, offsetting the

change in cumulative translation adjustment attributable to the hedged portion of the Company's net investment in the foreign operation. The remaining balance of net investment hedges settled at a loss of \$1.2 million, net of taxes, in October, 2010. The Company did not hedge net investments in foreign operations during the nine months ended September 30, 2011.

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The following tables present the fair value of the Company's derivative instruments as of September 30, 2011 and December 31, 2010 included in the accompanying Condensed Consolidated Balance Sheets (in thousands):

	Derivative Assets			
	September 30, 2011		December 31, 2010	
	Balance Sheet		Balance Sheet	
	Location	Fair Value	Location	Fair Value
Derivatives designated as cash flow hedging instruments under ASC 815:				
Foreign currency forward contracts	Other current assets	\$ 215	Other current assets	\$ 1,009
Foreign currency options	Other current assets	236	Other current assets	4,951
		451		5,960
Derivatives not designated as hedging instruments under ASC 815:				
Foreign currency forward contracts	Other current assets	2,875	Other current assets	274
Total derivative assets		\$ 3,326		\$ 6,234

	Derivative Liabilities			
	September 30, 2011		December 31, 2010	
	Balance Sheet		Balance Sheet	
	Location	Fair Value	Location	Fair Value
Derivatives designated as cash flow hedging instruments under ASC 815:				
Foreign currency forward contracts	Other accrued expenses and current liabilities	\$ 495	Other accrued expenses and current liabilities	\$ 27
Foreign currency options	Other accrued expenses and current liabilities	830		
		1,325		27

**Derivatives not designated as hedging
instruments under ASC 815:**

	Other accrued expenses and current liabilities		Other accrued expenses and current liabilities	
Foreign currency forward contracts		104		708
Total derivative liabilities		\$ 1,429		\$ 735

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The following tables present the effect of the Company's derivative instruments for the three months ended September 30, 2011 and 2010 in the accompanying Condensed Consolidated Financial Statements (in thousands):

	Gain (Loss) Recognized in AOCI on Derivatives		Statement of Operations Location	Gain (Loss) Reclassified From Accumulated AOCI Into Income		Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion)	
	(Effective Portion) September 30, 2011 2010			(Effective Portion) September 30, 2011 2010		September 30, 2011 2010	
Derivatives designated as cash flow hedging instruments under ASC 815:							
Foreign currency forward contracts	\$ (511)	\$ 1,606	Revenues	\$ 929	\$ 1,103	\$	\$
Foreign currency option contracts	(1,482)	2,771	Revenues	449	(22)		
	(1,993)	4,377		1,378	1,081		
Derivatives designated as a net investment hedge under ASC 815:							
Foreign currency forward contracts		(4,697)					
	\$ (1,993)	\$ (320)		\$ 1,378	\$ 1,081	\$	\$
						Gain (Loss) Recognized in Income on Derivatives	
			Statement of Operations			September 30,	
			Location			2011	2010
Derivatives not designated as hedging instruments under ASC 815:							
Foreign currency forward contracts			Other income and (expense)			\$ 3,835	\$ (2,307)
						\$ 3,835	\$ (2,307)

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The following tables present the effect of the Company's derivative instruments for the nine months ended September 30, 2011 and 2010 in the accompanying Condensed Consolidated Financial Statements (in thousands):

	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) September 30, 2011 2010		Statement of Operations Location	Gain (Loss) Reclassified From Accumulated AOCI Into Income September 30, 2011 2010		Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion) September 30, 2011 2010	
Derivatives designated as cash flow hedging instruments under ASC 815:							
Foreign currency forward contracts	\$ (124)	\$ 1,917	Revenues	\$ 1,124	\$ 3,102	\$	\$
Foreign currency option contracts	(2,809)	1,042	Revenues	1,306	(75)		
	(2,933)	2,959		2,430	3,027		
Derivatives designated as a net investment hedge under ASC 815:							
Foreign currency forward contracts		(3,265)					
	\$ (2,933)	\$ (306)		\$ 2,430	\$ 3,027	\$	\$
Derivatives not designated as hedging instruments under ASC 815:							
						Gain (Loss) Recognized in Income on Derivatives September 30, 2011 2010	
Foreign currency forward contracts			Other income and (expense)			\$ 103	\$ (3,737)
						\$ 103	\$ (3,737)

Table of Contents**Note 8. Investments Held in Rabbi Trusts**

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

	As of September 30, 2011		As of December 31, 2010	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 3,776	\$ 3,751	\$ 3,058	\$ 3,436
U.S. Treasury Bills ⁽¹⁾			118	118
	\$ 3,776	\$ 3,751	\$ 3,176	\$ 3,554

⁽¹⁾ Matured in January 2011.

The mutual funds held in the rabbi trusts were 67% equity-based and 33% debt-based as of September 30, 2011. Investment income, included in Other income (expense) in the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2011 and 2010 consists of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Gross realized gains from sale of trading securities	\$ 1	\$ 2	\$ 9	\$ 12
Gross realized (losses) from sale of trading securities	(20)		(20)	(5)
Dividend and interest income	9	9	27	22
Net unrealized holding gains (losses)	(568)	259	(418)	119
Net investment income (losses)	\$ (578)	\$ 270	\$ (402)	\$ 148

Note 9. Property and Equipment**Sale of Land and Building Located in Minot, North Dakota**

In March 2011, the Company classified long-lived assets, consisting of land and a building located in Minot, North Dakota, as held for sale. These assets were classified as held for sale based on the following: management committed to a plan to sell the assets, the assets were available for immediate sale in their present condition, an active program to locate a buyer and other actions required to complete the plan to sell the assets had been initiated, the assets were being actively marketed for sale at a price that was reasonable in relation to their current fair value, it is probable that the assets would be sold in a reasonable period of time, and it was unlikely that significant changes to the plan to sell the assets would be made or that the plan would be withdrawn. Upon reclassification as held for sale, the Company discontinued depreciating these assets and amortizing the related deferred grants. These assets, previously classified as held and used with a carrying value of \$0.9 million, were included in Property and equipment in the accompanying Condensed Consolidated Balance Sheet as of December 31, 2010. Related to these assets were deferred grants of \$0.6 million, which were included in Deferred grants in the accompanying Condensed Consolidated Balance Sheet as of December 31, 2010.

On June 1, 2011, the Company sold the Minot assets for cash of \$3.9 million (net of selling costs of \$0.2 million) resulting in a net gain on sale of \$3.7 million. The carrying value of these assets of \$0.8 million was offset by the related deferred grants of \$0.6 million. The net gain on the sale of \$3.7 million is included in Net gain on disposal of property and equipment in the accompanying Condensed Consolidated Statement of Operations for the three and nine

months ended September 30, 2011.

Tornado Damage to the Ponca City, Oklahoma Customer Contact Management Center

In April 2011, the customer contact management center (the facility) located in Ponca City, Oklahoma experienced significant damage to its building and contents as a result of a tornado. The Company filed an insurance claim with its property insurance company to recover estimated losses of \$1.5 million and expects to substantially settle the claim by December 31, 2011. During the nine months ended September 30, 2011, the insurance company paid \$1.2 million to the Company for costs to clean up and repair the facility of \$0.9 million and for reimbursement of a portion of the Company's out-of-pocket costs of \$0.3 million. The Company completed the repairs to the building during the three months ended September 30, 2011.

Table of Contents**Typhoon Damage to the Marikina City, the Philippines Customer Contact Management Center**

In September 2009, the building and contents of one of the Company's customer contact management centers located in Marikina City, the Philippines (acquired as part of the ICT acquisition) was severely damaged by flooding from Typhoon Ondoy. Upon settlement with the insurer in November 2010, the Company recognized a net gain of \$2.0 million. The damaged property and equipment had been written down by ICT prior to the ICT acquisition in February 2010. In August 2011, the Company received an additional \$0.4 million from the insurer for rent payment made during the claim period. This net gain on insurance settlement is included in General and administrative expenses in the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2011. No additional funds are expected.

Note 10. Deferred Revenue

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

	September 30, 2011	December 31, 2010
Future service	\$ 24,258	\$ 23,919
Estimated potential penalties and holdbacks	7,417	7,336
	\$ 31,675	\$ 31,255

Note 11. Deferred Grants

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

	September 30, 2011	December 31, 2010
Property grants	\$ 8,443	\$ 9,787
Employee grants	2,701	2,672
Total deferred grants	11,144	12,459
Less: Property grants short-term ⁽¹⁾		
Less: Employee grants short-term ⁽¹⁾	1,615	1,652
Total long-term deferred grants ⁽²⁾	\$ 9,529	\$ 10,807

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

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

Amortization of the Company's deferred grants included as a reduction to General and administrative costs in the accompanying Condensed Consolidated Statements of Operations consist of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Amortization of property grants	\$ 235	\$ 262	\$ 723	\$ 785
Amortization of employment grants	18	41	53	61
	\$ 253	\$ 303	\$ 776	\$ 846

Note 12. Borrowings

The Company had no outstanding borrowings as of September 30, 2011 and December 31, 2010.

On February 2, 2010, the Company entered into a Credit Agreement (the "Credit Agreement") with a group of lenders and KeyBank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent ("KeyBank"). The Credit Agreement provides for a \$75 million term loan (the "Term Loan") and a \$75 million revolving credit facility, the amount which is subject to certain borrowing limitations and includes certain customary financial and restrictive covenants. The Company drew down the full \$75 million Term Loan on February 2, 2010

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in connection with the acquisition of ICT on such date. See Note 2, Acquisition of ICT, for further information. The Company paid off the Term Loan balance in 2010, earlier than the scheduled maturity, plus accrued interest. The Term Loan is no longer available for borrowings.

The \$75 million revolving credit facility provided under the Credit Agreement includes a \$40 million multi-currency sub-facility, a \$10 million swingline sub-facility and a \$5 million letter of credit sub-facility, which may be used for general corporate purposes including strategic acquisitions, share repurchases, working capital support, and letters of credit, subject to certain limitations. The Company is not currently aware of any inability of its lenders to provide access to the full commitment of funds that exist under the revolving credit facility, if necessary. However, there can be no assurance that such facility will be available to the Company, even though it is a binding commitment of the financial institutions. The revolving credit facility will mature on February 1, 2013.

Borrowings under the Credit Agreement bear interest at either LIBOR or the base rate plus, in each case, an applicable margin based on the Company's leverage ratio. The applicable interest rate is determined quarterly based on the Company's leverage ratio at such time. The base rate is a rate per annum equal to the greatest of (i) the rate of interest established by KeyBank, from time to time, as its prime rate; (ii) the Federal Funds effective rate in effect from time to time, plus 1/2 of 1% per annum; and (iii) the then-applicable LIBOR rate for one month interest periods, plus 1.00%. Swingline loans bear interest only at the base rate plus the base rate margin. In addition, the Company is required to pay certain customary fees, including a commitment fee of up to 0.75%, which is due quarterly in arrears and calculated on the average unused amount of the revolving credit facility.

In 2010, the Company paid an underwriting fee of \$3.0 million for the Credit Agreement, which is deferred and amortized over the term of the loan. In addition, the Company pays a quarterly commitment fee on the Credit Agreement. The related interest expense and amortization of deferred loan fees on the Credit Agreement of \$0.3 million and \$0.9 million are included in Interest expense in the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2011, respectively. During the comparable 2010 periods, the related interest expense and amortization of deferred loan fees on the Credit Agreement were \$1.1 million and \$2.9 million, respectively. The \$75 million Term Loan had a weighted average interest rate of 3.87% and 3.93% for the three and nine months ended September 30, 2010, respectively.

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

In December, 2009, Sykes (Bermuda) Holdings Limited, a Bermuda exempted company (Sykes Bermuda) which is an indirect wholly-owned subsidiary of the Company, entered into a credit agreement with KeyBank (the Bermuda Credit Agreement). The Bermuda Credit Agreement provided for a \$75 million short-term loan to Sykes Bermuda with a maturity date of March 31, 2010. Sykes Bermuda drew down the full \$75 million on December 11, 2009. Interest was charged on outstanding amounts, at the option of Sykes Bermuda, at either a Eurodollar Rate (as defined in the Bermuda Credit Agreement) or a Base Rate (as defined in the Bermuda Credit Agreement) plus, in each case, an applicable margin specified in the Bermuda Credit Agreement. The underwriting fee paid of \$0.8 million was deferred and amortized over the term of the loan. Sykes Bermuda repaid the entire outstanding amount plus accrued interest on March 31, 2010. The related interest expense and amortization of deferred loan fees of \$1.4 million are included in

Interest expense in the accompanying Condensed Consolidated Statement of Operations for the nine months ended September 30, 2010 (none in the three and nine months ended September 30, 2011 or the three months ended September 30, 2010).

Table of Contents**Note 13. Accumulated Other Comprehensive Income (Loss)**

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

	Foreign Currency Translation Adjustment	Unrealized (Loss) on Net Investment Hedge	Unrealized Actuarial Gain (Loss) Related to Pension Liability	Unrealized Gain (Loss) on Cash Flow Hedging Instruments	Unrealized Gain (Loss) on Post Retirement Obligation	Total
Balance at January 1, 2010	\$ 4,317	\$	\$ 1,207	\$ 2,019	\$ 276	\$ 7,819
Pre-tax amount	9,790	(3,955)	(31)	4,936	104	10,844
Tax benefit		1,390		321		1,711
Reclassification to net loss	(7)		(52)	(5,173)	(34)	(5,266)
Foreign currency translation	(108)		65	43		
Balance at December 31, 2010	13,992	(2,565)	1,189	2,146	346	15,108
Pre-tax amount	(6,050)		88	(2,933)	140	(8,755)
Tax benefit				952		952
Reclassification to net income	(266)		(42)	(2,430)	(18)	(2,756)
Foreign currency translation	5		2	(7)		
Balance at September 30, 2011	\$ 7,681	\$ (2,565)	\$ 1,237	\$ (2,272)	\$ 468	\$ 4,549

Except as discussed in Note 14, Income Taxes, earnings associated with the Company's investments in its subsidiaries are considered to be permanently invested and no provision for income taxes on those earnings or translation adjustments has been provided.

Note 14. Income Taxes

The Company's effective tax rate was 14.1% and (19.2)% for the three months ended September 30, 2011, and 2010, respectively. The quarter-over-quarter variance in the effective tax rate is primarily due to tax benefits recognized in the 2010 comparable period as a result of the ICT legal entity reorganization. The difference between the Company's effective tax rate of 14.1% as compared to the U.S. statutory federal income tax rate of 35.0% was primarily due to the recognition of tax benefits resulting from income earned in certain tax holiday jurisdictions, losses in jurisdictions for which tax benefits either can or cannot be recognized, adjustments of valuation allowances, changes in unrecognized tax positions, foreign withholding taxes and permanent differences.

The Company's effective tax rate was 12.6% and (21.8)% for the nine months ended September 30, 2011 and 2010, respectively. The year-over-year variance in the effective tax rate is primarily due to tax benefits recognized in the 2010 comparable period as a result of the ICT legal entity reorganization and tax benefits recognized on losses related to ICT acquisition-related costs incurred in 2010. The difference between the Company's effective tax rate of 12.6% as

compared to the U.S. statutory federal income tax rate of 35.0% was primarily due to the recognition of tax benefits resulting from income earned in certain tax holiday jurisdictions, losses in jurisdictions for which tax benefits either can or cannot be recognized, adjustments of valuation allowances, changes in unrecognized tax positions, foreign withholding taxes and permanent differences.

The liability for unrecognized tax benefits is recorded as Long-term income tax liabilities in the accompanying Condensed Consolidated Balance Sheets. The Company has accrued \$16.7 million at September 30, 2011, and \$21.0 million at December 31, 2010, excluding penalties and interest. The \$4.3 million decrease relates primarily to a favorable resolution of a tax audit and foreign exchange rate fluctuations.

Generally, earnings associated with the investments in our subsidiaries are considered to be permanently invested and provisions for income taxes on those earnings or translation adjustments are not recorded. However in 2010, the Company changed its intent to distribute current earnings from various foreign operations to their foreign parents to take advantage of the December 2010 Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (the Tax Relief Act), which includes the extension until December 31, 2011 of Internal Revenue Code Section 954(c)(6). The Tax Relief Act permits continued tax deferral on such distributions that would otherwise be

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taxable immediately in the United States. While the distributions are not taxable in the United States, related foreign withholding taxes have been accrued in the Condensed Consolidated Balance Sheets.

In addition, the U.S. Department of the Treasury released the General Explanations of the Administration's Fiscal Year 2012 Revenue Proposals in February 2011. These proposals represent a significant shift in international tax policy, which may materially impact U.S. taxation of international earnings. The Company continues to monitor these proposals and is currently evaluating their potential impact on its financial condition, results of operations, and cash flows. Determination of any unrecognized deferred tax liability for temporary differences related to investments in foreign subsidiaries that are essentially permanent in nature is not practicable.

The Canadian tax authority is currently auditing tax years 2003 through 2006 and 2007 through 2009. The German tax authority is currently auditing tax periods 2005 through 2007. In the Philippines, the Company is being audited by the Philippine tax authorities for tax years 2007, 2008 and 2010. The Company's Indian subsidiary is currently under examination in India for fiscal tax years 2004 through 2007. As of September 30, 2011, the Company believes it has adequately accrued for these audits.

Note 15. Earnings Per Share

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Basic:				
Weighted average common shares outstanding	45,557	46,468	46,106	45,889
Diluted:				
Dilutive effect of stock options, stock appreciation rights, restricted stock, common stock units and shares held in a rabbi trust	96	91	96	100
Total weighted average diluted shares outstanding	45,653	46,559	46,202	45,989
Anti-dilutive shares excluded from the diluted earnings per share calculation ⁽¹⁾	849	779	705	328

(1) Impact of outstanding options to purchase shares of common stock and stock appreciation rights were anti-dilutive

and were excluded from the calculation of diluted earnings per share.

On August 5, 2002, the Company's Board authorized the Company to purchase up to 3.0 million shares of its outstanding common stock (the 2002 Share Repurchase Program). All available shares under the 2002 Share Repurchase Program have been repurchased. On August 18, 2011, the Company's Board authorized the Company to purchase up to 5.0 million shares of its outstanding common stock (the 2011 Share Repurchase Program). A total of 2.0 million shares have been repurchased under the 2011 Share Repurchase Program since inception. The shares are purchased, from time to time, through open market purchases or in negotiated private transactions, and the purchases are based on factors, including but not limited to, the stock price and general market conditions. The 2011 Share Repurchase Program has no expiration date.

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The shares repurchased during the three and nine months ended September 30, 2011 and 2010 were as follows (in thousands, except per share amounts):

	Total Number of Shares Repurchased	Range of Prices Paid Per Share		Total Cost of Shares Repurchased
		Low	High	
Three Months Ended:				
September 30, 2011	2,498	\$ 12.46	\$ 16.10	\$ 37,165
September 30, 2010				\$
Nine Months Ended:				
September 30, 2011	2,798	\$ 12.46	\$ 18.53	\$ 42,677
September 30, 2010	300	\$ 16.92	\$ 17.60	\$ 5,212

During the nine months ended September 30, 2011, the Company cancelled 2.8 million shares of its Treasury stock and recorded reductions of less than \$0.1 million to Common stock, \$22.4 million to Additional paid-in capital, \$20.3 million to Retained earnings and \$42.7 million to Treasury stock. During the nine months ended September 30, 2010, the Company cancelled 0.6 million shares of its Treasury stock and recorded reductions of \$4.5 million to Additional paid-in capital, \$4.4 million to Retained earnings and \$8.9 million to Treasury stock.

Note 16. Commitments and Loss Contingency**Purchase Commitments**

During the nine months ended September 30, 2011, the Company entered into several agreements with third-party vendors in the ordinary course of business whereby the Company committed to purchase goods and services used in its normal operations. These agreements, which are not cancelable, range from one to four year periods and contain fixed or minimum annual commitments. Certain of these agreements allow for renegotiation of the minimum annual commitments based on certain conditions.

The following is a schedule of future minimum purchase commitments under these agreements as of September 30, 2011 (in thousands):

	Amount
2011 (remaining three months)	\$ 3,434
2012	2,350
2013	1,459
2014	343
2015	
2016	
2017 and thereafter	
Total minimum payments required	\$ 7,586

Except for the contractual obligations mentioned above, there have not been any material changes to the Company's outstanding contractual obligations from the disclosure in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Loss Contingency

The Company has previously disclosed three pending matters involving regulatory sanctions assessed against the Company's Spanish subsidiary. All three matters relate to the alleged inappropriate acquisition of personal information in connection with two outbound client contracts. In connection with the appeal of one of these claims, the Company issued a bank guarantee, which is included as restricted cash of \$0.4 million in Deferred charges and other assets in the accompanying Condensed Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010. Based

upon the opinion of legal counsel regarding the likely outcome of these three matters, the Company accrued a liability in the amount of \$1.3 million under ASC 450 *Contingencies* because management believed that a loss was probable and the amount of the loss could be reasonably estimated. During the quarter ended December 31, 2010, the Spanish Supreme Court ruled in the Company's favor in one of the three subject claims. Accordingly, the Company has reversed the accrual in the amount of \$0.5 million related to that particular claim.

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The accrued liability included in Other accrued expenses and current liabilities in the accompanying Condensed Consolidated Balance Sheets was \$0.8 million as of September 30, 2011 and December 31, 2010. One of the other two claims has been finally decided against the Company on procedural grounds, and the final claim remains on appeal to the Spanish Supreme Court.

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

Note 17. Defined Benefit Pension Plan and Postretirement Benefits**Defined Benefit Pension Plans**

The following table provides information about the net periodic benefit cost for the pension plans for the three and nine months ended September 30, 2011 and 2010 (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Service cost	\$ 65	\$ 18	\$ 148	\$ 53
Interest cost	26	17	76	50
Recognized actuarial (gains)	(14)	(13)	(42)	(38)
Net periodic benefit cost	\$ 77	\$ 22	\$ 182	\$ 65

Employee Retirement Savings Plans

The Company maintains a 401(k) plan covering defined employees who meet established eligibility requirements. Under the plan provisions, the Company matches 50% of participant contributions to a maximum matching amount of 2% of participant compensation. The Company's contributions for the three and nine months ended September 30, 2011 and 2010 included in the accompanying Condensed Consolidated Statement of Operations were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
401(k) plan contributions	\$ 208	\$ 239	\$ 770	\$ 607

In connection with the acquisition of ICT in February 2010, the Company assumed ICT's profit sharing plan (Section 401(k)). Under this profit sharing plan, the Company matches 50% of employee contributions for all qualified employees, as defined, up to a maximum of 6% of the employee's compensation; however, it may also make additional contributions to the plan based upon profit levels and other factors. No contributions were made during the three and nine months ended September 30, 2011 and 2010. Employees are fully vested in their contributions, while full vesting in the Company's contributions occurs upon death, disability, retirement or completion of five years of service.

Split-Dollar Life Insurance Arrangement

In 1996, the Company entered into a split-dollar life insurance arrangement to benefit the former Chairman and Chief Executive Officer of the Company. Under the terms of the arrangement, the Company retained a collateral interest in the policy to the extent of the premiums paid by the Company. Effective January 1, 2008, the Company recorded a \$0.5 million liability for a post-retirement benefit obligation related to this arrangement, which was accounted for as a reduction to the January 1, 2008 balance of retained earnings in accordance with ASC 715-60 "Defined Benefit Plans - Other Postretirement".

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The post-retirement benefit obligation included in Other long-term liabilities as of September 30, 2011 and December 31, 2010 in the accompanying Condensed Consolidated Balance Sheets is as follows (in thousands):

	September 30,2011	December 31,2010
Post-retirement benefit obligation	\$ 120	\$ 186

The Company has an unrealized gain of \$0.5 million and \$0.3 million as of September 30, 2011 and December 31, 2010, respectively, due to changes in discount rates related to the post-retirement obligation, which was recorded in Accumulated other comprehensive income in the accompanying Condensed Consolidated Balance Sheets.

Note 18. Stock-Based Compensation

The Company's stock-based compensation plans include the 2011 Equity Incentive Plan, the 2004 Non-Employee Director Fee Plan and the Deferred Compensation Plan.

The following table summarizes the stock-based compensation expense (primarily in the Americas), income tax benefits related to the stock-based compensation and excess tax benefits (provision) recorded by the Company for the three and nine months ended September 30, 2011 and 2010 (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Stock-based compensation expense ⁽¹⁾	\$ 798	\$ 743	\$ 3,411	\$ 3,652
Income tax benefits ⁽²⁾	\$ 311	\$ 290	\$ 1,330	\$ 1,424
Excess tax benefits (provision) from the exercise of stock options ⁽³⁾	\$ (87)	\$	\$ (52)	\$ 360

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

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

(3) Included in Additional paid-in capital in the accompanying Condensed Consolidated Statements of Changes in Shareholder's Equity.

There were no capitalized stock-based compensation costs at September 30, 2011 and December 31, 2010.

2011 Equity Incentive Plan The Board adopted the Sykes Enterprises, Incorporated 2011 Equity Incentive Plan (the 2011 Plan) on March 23, 2011. The Board subsequently amended the 2011 Plan on May 11, 2011 to reduce the number of shares of common stock available under the 2011 Plan from 5.7 million shares to 4.0 million shares. The 2011 Plan was approved by the shareholders at the May 2011 Annual Meeting. The 2011 Plan replaced and superseded the Company's 2001 Equity Incentive Plan (the 2001 Plan), which expired on March 14, 2011. The outstanding awards granted under the 2001 Plan will remain in effect until their exercise, expiration, or termination. The 2011 Plan permits the grant of stock options, stock appreciation rights and other stock-based awards to certain employees of the Company, and certain non-employees who provide services to the Company, for up to 4.0 million shares of common stock in order to encourage them to remain in the employment of or to faithfully provide services to the Company and to increase their interest in the Company's success.

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Stock Options The following table summarizes stock option activity as of September 30, 2011 and for the nine months then ended:

Stock Options	Shares (000s)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (000s)
Outstanding at January 1, 2011	43	\$ 8.54		
Granted		\$		
Exercised	20	\$ 9.55		
Forfeited or expired		\$		
Outstanding at September 30, 2011	23	\$ 7.67	1.0	\$ 170
Vested or expected to vest at September 30, 2011	23	\$ 7.67	1.0	\$ 170
Exercisable at September 30, 2011	23	\$ 7.67	1.0	\$ 170

No stock options were granted during the nine months ended September 30, 2011 and 2010. The following table summarizes information regarding the exercise of stock options for the nine months ended September 30, 2011 and 2010 (in thousands):

	Nine Months Ended September 30,	
	2011	2010
Number of stock options exercised	20	2
Intrinsic value of stock options exercised	\$ 71	\$ 25
Cash received upon exercise of stock options	\$ 191	\$ 8

All options were fully vested as of December 31, 2006 and there is no unrecognized compensation cost as of September 30, 2011 related to the options (the effect of estimated forfeitures is not material).

Stock Appreciation Rights The fair value of each SAR is estimated on the date of grant using the Black-Scholes valuation model that uses various assumptions. The fair value of the SARs is expensed on a straight-line basis over the requisite service period. Expected volatility is based on the historical volatility of the Company's stock. The risk-free rate for periods within the contractual life of the award is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the award is granted with a maturity equal to the expected term of the award. Exercises and forfeitures are estimated within the valuation model using employee termination and other historical data. The expected term of the SARs granted represents the period of time the SARs are expected to be outstanding.

The following table summarizes the assumptions used to estimate the fair value of SARs granted during the nine months ended September 30, 2011 and 2010:

	Nine Months Ended September 30,	
	2011	2010
Expected volatility	44.3%	45.2%

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Weighted-average volatility	44.3%	45.2%
Expected dividends		
Expected term (in years)	4.6	4.4
Risk-free rate	2.0%	2.4%

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The following table summarizes SARs activity as of September 30, 2011 and for the nine months then ended:

Stock Appreciation Rights	Shares (000s)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (000s)
Outstanding at January 1, 2011	442	\$		
Granted	215	\$		
Exercised		\$		
Forfeited or expired		\$		
Outstanding at September 30, 2011	657	\$	7.8	\$ 10
Vested or expected to vest at September 30, 2011	657	\$	7.8	\$ 10
Exercisable at September 30, 2011	296	\$	6.6	\$ 10

The following table summarizes the weighted average grant-date fair value of the SARs granted and the total intrinsic value of the SARs exercised during the nine months ended September 30, 2011 and 2010 (in thousands, except per SAR amounts):

	Nine Months Ended September 30,	
	2011	2010
Weighted average grant-date fair value per SAR	\$ 7.10	\$ 10.21
Intrinsic value of SARs exercised	\$	\$ 591

The following table summarizes the status of nonvested SARs as of September 30, 2011 and for the nine months then ended:

Nonvested Stock Appreciation Rights	Shares (000s)	Weighted Average Grant- Date Fair Value
Nonvested at January 1, 2011	293	\$ 8.63
Granted	215	\$ 7.10
Vested	(146)	\$ 8.18
Forfeited or expired		\$
Nonvested at September 30, 2011	362	\$ 7.90

As of September 30, 2011, there was \$2.0 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested SARs. This cost is expected to be recognized over a weighted average period of

1.9 years. SARs that vested during the nine months ended September 30, 2010 had a fair value of \$0.6 million as of the vesting date (none during the nine months ended September 30, 2011).

Restricted Shares The following table summarizes the status of nonvested Restricted Shares/RSUs as of September 30, 2011 and for the nine months then ended:

Nonvested Restricted Shares / RSUs	Shares (000s)	Weighted Average Grant- Date Fair Value
Nonvested at January 1, 2011	587	\$ 20.30
Granted	295	\$ 18.67
Vested	(187)	\$ 18.01
Forfeited or expired		\$
Nonvested at September 30, 2011	695	\$ 20.22

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The following table summarizes the weighted average grant-date fair value of the Restricted Shares/RSUs granted and the total fair value of the Restricted Shares/RSUs that vested during the nine months ended September 30, 2011 and 2010 (in thousands, except per Restricted Share/RSU amounts):

	Nine Months Ended September 30,	
	2011	2010
Weighted average grant-date fair value per Restricted Share/RSU	\$ 18.67	\$ 23.88
Fair value of Restricted Stock/RSUs vested	\$ 3,920	\$ 4,223

As of September 30, 2011, based on the probability of achieving the performance goals, there was \$11.0 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested Restricted Shares/RSUs. This cost is expected to be recognized over a weighted average period of 1.7 years.

Other Awards The following table summarizes the status of common stock units (CSUs) as of September 30, 2011 and for the nine months then ended:

Nonvested Common Stock Units	Shares (000s)	Weighted Average Grant- Date Fair Value
Nonvested at January 1, 2011	66	\$ 20.33
Granted	44	\$ 18.67
Vested	(26)	\$ 18.11
Forfeited or expired		\$
Nonvested at September 30, 2011	84	\$ 20.15

A CSU is a bookkeeping entry on the Company's books that records the equivalent of one share of common stock. Until a CSU vests, the participant has none of the rights of a shareholder with respect to the CSU or the common stock underlying the CSU. CSUs are not transferable.

The following table summarizes the weighted average grant-date fair value of the CSUs granted and the total fair value of the CSUs that vested during the nine months ended September 30, 2011 and 2010 (in thousands, except per CSU amounts):

	Nine Months Ended September 30,	
	2011	2010
Weighted average grant-date fair value per CSU	\$ 18.67	\$ 23.88
Fair value of CSUs vested	\$ 472	\$ 552

As of September 30, 2011, there was \$1.4 million of total unrecognized compensation costs, net of estimated forfeitures, related to nonvested CSUs. This cost is expected to be recognized over a weighted average period of 1.9 years.

2004 Non-Employee Director Fee Plan The Company's 2004 Non-Employee Director Fee Plan (the 2004 Fee Plan) provides that all new non-employee directors joining the Board will receive an initial grant of shares of common stock on the date the new director is elected or appointed, the number of which will be determined by dividing \$60,000 by the closing price of the Company's common stock on the trading day immediately preceding the date a new director is elected or appointed, rounded to the nearest whole number of shares. The initial grant of shares vests in twelve equal quarterly installments, one-twelfth on the date of grant and an additional one-twelfth on each successive third monthly

anniversary of the date of grant. The award lapses with respect to all unvested shares in the event the non-employee director ceases to be a director of the Company, and any unvested shares are forfeited.

The 2004 Fee Plan also provides that each non-employee director will receive, on the day after the annual shareholders meeting, an annual retainer for service as a non-employee director (the Annual Retainer). The Annual Retainer consists of shares of the Company's common stock and cash. Prior to May 20, 2011, the total value of the Annual Retainer was \$77,500, payable \$32,500 in cash and the remainder paid in stock, the amount of

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which was determined by dividing \$45,000 by the closing price of the Company's common stock on the date of the annual meeting of shareholders, rounded to the nearest whole number of shares. On May 20, 2011, upon the recommendation of the Compensation and Human Resource Development Committee, the Board adopted the Fourth Amended and Restated 2004 Non-Employee Director Fee Plan, which increased the cash component of the Annual Retainer by \$17,500, resulting in a total Annual Retainer of \$95,000, of which \$50,000 is payable in cash, and the remainder paid in stock. The method of calculating the number of shares constituting the equity portion of the Annual Retainer remained unchanged.

In addition to the Annual Retainer award, the 2004 Fee Plan also provides for any non-employee Chairman of the Board to receive an additional annual cash award of \$100,000, and each non-employee director serving on a committee of the Board to receive an additional annual cash award. The additional annual cash award for the Chairperson of the Audit Committee is \$20,000 and Audit Committee members are entitled to an annual cash award of \$10,000. Prior to May 20, 2011, the annual cash awards for the Chairpersons of the Compensation and Human Resource Development Committee, Finance Committee and Nominating and Corporate Governance Committee were \$12,500 and the members of such committees were entitled to an annual cash award of \$7,500. On May 20, 2011, the Board increased the additional annual cash award to the Chairperson of the Compensation and Human Resource Development Committee to \$15,000. All other additional cash awards remained unchanged.

The annual grant of cash, including all amounts paid to a non-employee Chairman of the Board and all amounts paid to non-employee directors serving on committees of the Board, vests in four equal quarterly installments, one-fourth on the day following the annual meeting of shareholders, and an additional one-fourth on each successive third monthly anniversary of the date of grant. The annual grant of shares paid to non-employee directors vests in eight equal quarterly installments, one-eighth on the day following the annual meeting of shareholders, and an additional one-eighth on each successive third monthly anniversary of the date of grant. The award lapses with respect to all unpaid cash and unvested shares in the event the non-employee director ceases to be a director of the company, and any unvested shares and unpaid cash are forfeited.

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

Prior to 2008, the grants were comprised of CSUs rather than shares of common stock. A CSU is a bookkeeping entry on the Company's books that records the equivalent of one share of common stock.

The following table summarizes the status of the nonvested CSUs and share awards under the 2004 Fee Plan as of September 30, 2011 and for the nine months then ended:

Nonvested Common Stock Units and Share Awards	Shares (000s)		Weighted Average Grant- Date Fair Value
Nonvested at January 1, 2011	18	\$	18.67
Granted	21	\$	21.83
Vested	(17)	\$	19.47
Forfeited or expired		\$	
Nonvested at September 30, 2011	22	\$	21.08

The following table summarizes the weighted average grant-date fair value of the CSUs and share awards granted and the total fair value of the CSUs and share awards that vested during the nine months ended September 30, 2011 and 2010 (in thousands, except per CSU/share award amounts):

	Nine Months Ended September	
	30,	
	2011	2010
Weighted average grant-date fair value per CSU/share award	\$ 21.83	\$ 19.11
Fair value of CSUs/share awards vested	\$ 320	\$ 345

As of September 30, 2011, there was \$0.4 million of total unrecognized compensation costs, net of estimated forfeitures, related to nonvested CSUs granted since March 2008 under the Plan. This cost is expected to be recognized over a weighted average period of 1.2 years.

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Deferred Compensation Plan The Company's non-qualified Deferred Compensation Plan (the "Deferred Compensation Plan"), which is not shareholder-approved, provides certain eligible employees the ability to defer any portion of their compensation until the participant's retirement, termination, disability or death, or a change in control of the Company. Deferred compensation amounts used to pay benefits, which are held in a rabbi trust, include investments in various mutual funds (see Note 8, Investments Held in Rabbi Trusts) and shares of the Company's common stock. As of September 30, 2011 and December 31, 2010, liabilities of \$3.8 million and \$3.4 million, respectively, of the Deferred Compensation Plan were recorded in "Accrued employee compensation and benefits" in the accompanying Condensed Consolidated Balance Sheets.

Additionally, the Company's common stock match associated with the Deferred Compensation Plan, with a carrying value of approximately \$1.2 million and \$1.0 million at September 30, 2011 and December 31, 2010, respectively, is included in "Treasury stock" in the accompanying Condensed Consolidated Balance Sheets.

The following table summarizes the status of the nonvested common stock issued under the Deferred Compensation Plan as of September 30, 2011 and for the nine months then ended:

Nonvested Common Stock	Shares (000s)	Weighted Average Grant- Date Fair Value
Nonvested at January 1, 2011	8	\$ 18.00
Granted	10	\$ 19.19
Vested	(9)	\$ 18.57
Forfeited or expired		\$
Nonvested at September 30, 2011	9	\$ 18.37

The following table summarizes the weighted average grant-date fair value of the common stock awarded, the total fair value of the common stock that vested and the cash used to settle the Company's obligation under the Deferred Compensation Plan during the nine months ended September 30, 2011 and 2010 (in thousands, except per common stock amounts):

	Nine Months Ended September 30,	
	2011	2010
Weighted average grant-date fair value per common stock	\$ 19.19	\$ 18.74
Fair value of common stock vested	\$ 141	\$ 108
Cash used to settle the obligation	\$	\$ 32

As of September 30, 2011, there was \$0.2 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested common stock granted under the Deferred Compensation Plan. This cost is expected to be recognized over a weighted average period of 3.9 years.

Note 19. Segments and Geographic Information

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

The reportable segments consist of (1) the Americas, which includes the United States, Canada, Latin America, India and the Asia Pacific Rim, and provides outsourced customer contact management solutions (with an emphasis on technical support and customer service) and technical staffing and (2) EMEA, which includes Europe, the Middle East

and Africa, and provides outsourced customer contact management solutions (with an emphasis on technical support and customer service) and fulfillment services. The sites within Latin America, India and the Asia Pacific Rim are included in the Americas segment given the nature of the business and client profile, which is primarily made up of U.S.-based companies that are using the Company's services in these locations to support their customer contact management needs.

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Information about the Company's reportable segments for the three and nine months ended September 30, 2011 and 2010 is as follows (in thousands):

	Americas	EMEA	Other ⁽¹⁾	Consolidated
Three Months Ended September 30, 2011:				
Revenues ⁽²⁾	\$ 241,481	\$ 61,063		\$ 302,544
Percentage of revenues	79.8%	20.2%		100.0%
Depreciation and amortization ⁽²⁾	\$ 11,954	\$ 1,410		\$ 13,364
Income (loss) from continuing operations	\$ 30,950	\$ 1,322	\$ (10,761)	\$ 21,511
Other (expense), net			(428)	(428)
Income taxes			(2,969)	(2,969)
Income from continuing operations, net of taxes				18,114
(Loss) from discontinued operations, net of taxes	\$	\$		
Net income				\$ 18,114
Total assets as of September 30, 2011	\$ 1,150,752	\$ 1,174,224	\$ (1,544,084)	\$ 780,892
Three Months Ended September 30, 2010:				
Revenues ⁽²⁾	\$ 241,353	\$ 53,102		\$ 294,455
Percentage of revenues	82.0%	18.0%		100.0%
Depreciation and amortization ⁽²⁾	\$ 13,180	\$ 1,323		\$ 14,503
Income (loss) from continuing operations	\$ 25,321	\$ (2,547)	\$ (9,397)	\$ 13,377
Other (expense), net			(1,588)	(1,588)
Income taxes			2,267	2,267
Income from continuing operations, net of taxes				14,056
(Loss) from discontinued operations, net of taxes	\$ (410)	\$		(410)
Net income				\$ 13,646
Total assets as of September 30, 2010	\$ 1,399,185	\$ 1,103,969	\$ (1,671,707)	\$ 831,447

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	Americas	EMEA	Other ⁽¹⁾	Consolidated
Nine Months Ended September 30, 2011:				
Revenues ⁽²⁾	\$ 735,558	\$ 187,056		\$ 922,614
Percentage of revenues	79.7%	20.3%		100.0%
Depreciation and amortization ⁽²⁾	\$ 37,317	\$ 4,313		\$ 41,630
Income (loss) from continuing operations	\$ 89,353	\$ (1,547)	\$ (35,794)	\$ 52,012
Other (expense), net			(2,523)	(2,523)
Income taxes			(6,225)	(6,225)
Income from continuing operations, net of taxes				43,264
(Loss) from discontinued operations, net of taxes	\$	\$		
Net income				\$ 43,264
Nine Months Ended September 30, 2010:				
Revenues ⁽²⁾	\$ 683,571	\$ 166,001		\$ 849,572
Percentage of revenues	80.5%	19.5%		100.0%
Depreciation and amortization ⁽²⁾	\$ 37,108	\$ 3,959		\$ 41,067
Income (loss) from continuing operations	\$ 78,378	\$ (7,161)	\$ (53,143)	\$ 18,074
Other (expense), net			(9,973)	(9,973)
Income taxes			1,768	1,768
(Loss) from continuing operations, net of taxes				9,869
(Loss) from discontinued operations, net of taxes	\$ (3,190)	\$		(3,190)
Net (loss)				\$ 6,679

(1) Other items (including corporate costs, provision for regulatory penalties, impairment costs, other income and expense, and income taxes) are shown for purposes of reconciling to the Company's consolidated totals as shown in the table above for the three and nine months ended September 30, 2011 and 2010. The accounting policies of the reportable segments are the same as those described in Note 1 to the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2010. Inter-segment revenues are not material to the Americas and EMEA segment results. The Company evaluates the performance of its geographic segments based on revenue and income (loss) from operations, and does not include segment assets or other income and expense items for management reporting purposes.

(2) Revenues and depreciation and amortization include results from continuing operations only.

Note 20. Related Party Transactions

The Company paid John H. Sykes, the founder, former Chairman and Chief Executive Officer of the Company and the father of Charles Sykes, President and Chief Executive Officer of the Company, \$0.1 million for the use of his

private jet during the nine months ended September 30, 2010, which is based on two times fuel costs and other actual costs incurred for each trip (less than \$0.1 million in the three months ended September 30, 2010 and none in the comparable 2011 periods).

The Company also paid John H. Sykes \$0.1 million, which represents the cost for the purchase of his share of the refundable deposit on a sports stadium suite, during the nine months ended September 30, 2010 (none in the three months ended September 30, 2010 or the comparable 2011 periods).

In January 2008, the Company entered into a lease for a customer contact management center located in Kingstree, South Carolina. The landlord, Kingstree Office One, LLC, is an entity controlled by John H. Sykes. The lease payments on the 20 year lease were negotiated at or below market rates, and the lease is cancellable at the option of the Company. There are significant penalties for early cancellation which decrease over time. The Company paid \$0.1 million and \$0.3 million to the landlord during the three and nine months ended September 30, 2011, respectively, and the same amounts during the three and nine months ended September 30, 2010, respectively, under the terms of the lease.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Sykes Enterprises, Incorporated
400 North Ashley Drive
Tampa, Florida

We have reviewed the accompanying condensed consolidated balance sheet of Sykes Enterprises, Incorporated and subsidiaries (the Company) as of September 30, 2011, and the related condensed consolidated statements of operations for the three-month and nine-month periods ended September 30, 2011 and 2010, of changes in shareholders' equity for the nine-month periods ended September 30, 2011 and 2010 and three-month period ended December 31, 2010, and of cash flows for the nine-month periods ended September 30, 2011 and 2010. These interim financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2010, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 8, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2010 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP
Certified Public Accountants

Tampa, Florida
November 8, 2011

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This discussion should be read in conjunction with the condensed consolidated financial statements and notes included elsewhere in this report and the consolidated financial statements and notes in the Sykes Enterprises, Incorporated (SYKES, our, we or us) Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission (SEC).

Our discussion and analysis may contain forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations, estimates, forecasts, and projections about SYKES, our beliefs, and assumptions made by us. In addition, we may make other written or oral statements, which constitute forward-looking statements, from time to time. Words such as believe, estimate, project, expect, intend, may, anticipate, plan, seek, variations of such words, and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe our future plans, objectives, or goals also are forward-looking statements. These statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including those discussed below and elsewhere in this report. Our actual results may differ materially from what is expressed or forecasted in such forward-looking statements, and undue reliance should not be placed on such statements. All forward-looking statements are made as of the date hereof, and we undertake no obligation to update any such forward-looking statements, whether as a result of new information, future events or otherwise.

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

Overview

We provide an array of sophisticated customer contact management solutions to a wide range of clients including Fortune 1000 companies, medium-sized businesses, and public institutions around the world, primarily in the communications, financial services, technology/consumer, transportation and leisure, healthcare and other industries. We serve our clients through two geographic operating regions: the Americas (United States, Canada, Latin America, India and the Asia Pacific Rim) and EMEA (Europe, the Middle East and Africa). Our Americas and EMEA groups primarily provide customer contact management services (with an emphasis on inbound technical support and

customer service), which include customer assistance, healthcare and roadside assistance, technical support and product sales to our client s customers. These services, which represented 98% of consolidated revenues during the three and nine months ended September 30, 2011, are delivered through multiple communication channels encompassing phone, e-mail, Internet, text messaging and chat. We also provide various enterprise support services in the United States (U.S.) that include services for our client s internal support operations, from technical

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staffing services to outsourced corporate help desk services. In Europe, we also provide fulfillment services including multilingual sales order processing via the Internet and phone, payment processing, inventory control, product delivery, and product returns handling. Our complete service offering helps our clients acquire, retain and increase the lifetime value of their customer relationships. We have developed an extensive global reach with customer contact management centers throughout the United States, Canada, Europe, Latin America, Asia, India and Africa.

Acquisition of ICT

On February 2, 2010, we completed the acquisition of ICT Group Inc. (ICT), a Pennsylvania corporation and a leading global provider of outsourced customer management and BPO solutions. We refer to such acquisition herein as the ICT acquisition.

As a result of the ICT acquisition on February 2, 2010,

each outstanding share of ICT's common stock, par value \$0.01 per share, was converted into the right to receive \$7.69 in cash, without interest, and 0.3423 of a share of SYKES common stock, par value \$0.01 per share;

each outstanding ICT stock option, whether or not then vested and exercisable, became fully vested and exercisable immediately prior to, and then was canceled at, the effective time of the acquisition, and the holder of such option became entitled to receive an amount in cash, without interest and less any applicable taxes to be withheld, equal to (i) the excess, if any, of (1) \$15.38 over (2) the exercise price per share of ICT common stock subject to such ICT stock option, multiplied by (ii) the total number of shares of ICT common stock underlying such ICT stock option, with the aggregate amount of such payment rounded up to the nearest cent. If the exercise price was equal to or greater than \$15.38, then the stock option was canceled without any payment to the stock option holder; and

each outstanding ICT restricted stock unit (RSU) became fully vested and then was canceled and the holder of such vested awards became entitled to receive \$15.38 in cash, without interest and less any applicable taxes to be withheld, in respect of each share of ICT common stock into which the RSU would otherwise have been convertible.

The total aggregate purchase price of the transaction of \$277.8 million was comprised of \$141.1 million in cash and 5.6 million shares of SYKES common stock valued at \$136.7 million. The transaction was funded through borrowings consisting of a \$75 million short-term loan from KeyBank National Association (KeyBank) in December, 2009, due and paid on March 31, 2010, and a \$75 million term loan from a syndicate of banks due in varying installments through February 1, 2013 (the Term Loan). The outstanding balance due under the \$75 million Term Loan was repaid during the quarter ended September 30, 2010, and the Term Loan is no longer available for borrowings. See Liquidity & Capital Resources later in this Item 2 and Note 12, Borrowings, of Notes to Condensed Consolidated Financial Statements for further information.

The results of operations of ICT have been reflected in our Condensed Consolidated Statement of Operations since February 2, 2010.

Discontinued Operations

In December 2010, we sold our Argentine operations, pursuant to stock purchase agreements, dated December 16, 2010 and December 29, 2010. We reflected the operating results related to the Argentine operations as discontinued operations in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2010. This business was historically reported as part of the Americas segment. See Note 3, Discontinued Operations, of Notes to Condensed Consolidated Financial Statements for additional information on the sale of the Argentine operations.

See Results of Operations (Loss) from Discontinued Operations in this Item 2 for more information. Unless otherwise noted, discussions below pertain only to our continuing operations.

Table of Contents**Results of Operations**

The following table sets forth, for the periods indicated, certain data derived from our Condensed Consolidated Statements of Operations and certain of such data expressed as a percentage of revenues (in thousands, except percentage amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues	\$ 302,544	\$ 294,455	\$ 922,614	\$ 849,572
Percentage of revenues	100.0%	100.0%	100.0%	100.0%
Direct salaries and related costs	\$ 197,482	\$ 190,813	\$ 609,471	\$ 551,156
Percentage of revenues	65.3%	64.8%	66.1%	64.9%
General and administrative	\$ 83,520	\$ 86,821	\$ 263,817	\$ 276,861
Percentage of revenues	27.6%	29.5%	28.6%	32.6%
Net (gain) loss on disposal of property and equipment	\$ (7)	\$ (21)	\$ (3,450)	\$ 16
Percentage of revenues	0.0%	0.0%	(0.4)%	0.0%
Impairment of goodwill and intangibles	\$	\$ 362	\$	\$ 362
Percentage of revenues	0.0%	0.1%	0.0%	0.0%
Impairment of long-lived assets	\$ 38	\$ 3,103	\$ 764	\$ 3,103
Percentage of revenues	0.0%	1.1%	0.1%	0.4%
Income from continuing operations	\$ 21,511	\$ 13,377	\$ 52,012	\$ 18,074
Percentage of revenues	7.1%	4.5%	5.6%	2.1%

The following table summarizes our revenues for the periods indicated, by reporting segment (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011		2010		2011		2010	
Americas	\$ 241,481	79.8%	\$ 241,353	82.0%	\$ 735,558	79.7%	\$ 683,571	80.5%
EMEA	61,063	20.2%	53,102	18.0%	187,056	20.3%	166,001	19.5%
Consolidated	\$ 302,544	100.0%	\$ 294,455	100.0%	\$ 922,614	100.0%	\$ 849,572	100.0%

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The following table summarizes the amounts and percentage of revenues for direct salaries and related costs, general and administrative costs and impairment of long-lived assets for the periods indicated, by reporting segment (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011		2010		2011		2010	
Direct salaries and related costs:								
Americas	\$ 152,827	63.3%	\$ 150,194	62.2%	\$ 468,331	63.7%	\$ 423,878	62.0%
EMEA	44,655	73.1%	40,619	76.5%	141,140	75.5%	127,278	76.7%
Consolidated	\$ 197,482	65.3%	\$ 190,813	64.8%	\$ 609,471	66.1%	\$ 551,156	64.9%
General and administrative:								
Americas	\$ 57,674	23.9%	\$ 62,756	26.0%	\$ 180,549	24.5%	\$ 178,203	26.1%
EMEA	15,085	24.7%	14,668	27.6%	47,474	25.4%	45,515	27.4%
Corporate	10,761		9,397		35,794		53,143	
Consolidated	\$ 83,520	27.6%	\$ 86,821	29.5%	\$ 263,817	28.6%	\$ 276,861	32.6%
Net (gain) loss on disposal of property and equipment:								
Americas	\$ (8)	0.0%	\$ (21)	0.0%	\$ (3,439)	(0.5)%	\$ 9	0.0%
EMEA	1	0.0%		0.0%	(11)	0.0%	7	0.0%
Consolidated	\$ (7)	0.0%	\$ (21)	0.0%	\$ (3,450)	(0.4)%	\$ 16	0.0%
Impairment of goodwill and intangibles:								
Americas	\$	0.0%	\$	0.0%	\$	0.0%	\$	0.0%
EMEA		0.0%	362	0.7%		0.0%	362	0.2%
Consolidated	\$	0.0%	\$ 362	0.1%	\$	0.0%	\$ 362	0.0%
Impairment of long-lived assets:								
Americas	\$ 38	0.0%	\$ 3,103	1.3%	\$ 764	0.1%	\$ 3,103	0.5%
EMEA		0.0%		0.0%		0.0%		0.0%
Consolidated	\$ 38	0.0%	\$ 3,103	1.1%	\$ 764	0.1%	\$ 3,103	0.4%

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Revenues

For the three months ended September 30, 2011, we recognized consolidated revenues of \$302.5 million, an increase of \$8.0 million or 2.7%, from \$294.5 million of consolidated revenues for the comparable period in 2010.

On a geographic segment basis, revenues from the Americas region, including the United States, Canada, Latin America, India and the Asia Pacific Rim, represented 79.8%, or \$241.5 million, for the three months ended September 30, 2011 compared to 82.0%, or \$241.4 million, for the comparable period in 2010. Revenues from the EMEA region, including Europe, the Middle East and Africa represented 20.2%, or \$61.0 million, for the three months ended September 30, 2011 compared to 18.0%, or \$53.1 million, for the comparable period in 2010.

America's revenues increased \$0.1 million, including the positive foreign currency impact of \$5.2 million, for the three months ended September 30, 2011 from the comparable period in 2010, principally due to new client programs and higher volumes within new and certain existing clients. Revenues from our offshore operations represented 48.9% of Americas' revenues, compared to 47.7% for the same period in 2010. While operating margins generated offshore are generally comparable to those in the United States, our ability to maintain these offshore operating margins longer term is difficult to predict due to potential increased competition for the available workforce, the trend of higher occupancy costs and costs of functional currency fluctuations in offshore markets. We weight these factors in our focus to re-price or replace certain sub-profitable target client programs.

EMEA's revenues increased \$8.0 million, including the positive foreign currency impact of \$4.5 million, for the three months ended September 30, 2011 from the comparable period in 2010, principally due to new client programs, higher volumes within new and certain existing clients and the recognition of previously deferred revenue.

Table of Contents***Direct Salaries and Related Costs***

Direct salaries and related costs increased \$6.7 million, or 3.5%, to \$197.5 million for the three months ended September 30, 2011 from \$190.8 million in the comparable period in 2010.

On a reporting segment basis, direct salaries and related costs from the Americas segment increased \$2.6 million, including the negative foreign currency impact of \$5.3 million, for the three months ended September 30, 2011 from the comparable period in 2010. Direct salaries and related costs from the EMEA segment increased \$4.1 million, including the negative foreign currency impact of \$3.4 million, for the three months ended September 30, 2011 from the comparable period in 2010.

In the Americas segment, as a percentage of revenues, direct salaries and related costs increased to 63.3% for the three months ended September 30, 2011 from 62.2% in same period in 2010. This increase of 1.1%, as a percentage of revenues, was primarily attributable to higher compensation costs of 1.0% (primarily related to lower volumes within certain existing clients without a commensurate reduction in labor costs) and higher other costs of 0.1%.

In the EMEA segment, as a percentage of revenues, direct salaries and related costs decreased to 73.1% for the three months ended September 30, 2011 from 76.5% in the same period of 2010. This decrease of 3.4%, as a percentage of revenues, was primarily attributable to lower severance costs of 3.9% due to the closure of certain sites in connection with the Fourth Quarter 2010 Exit Plan (See Note 4, Costs Associated with Exit or Disposal Activities, of Notes to Condensed Consolidated Financial Statements), lower travel costs of 0.5% and lower billable supply costs of 0.5%, partially offset by higher fulfillment material costs of 0.7%, higher compensation costs of 0.2% and higher other costs of 0.6%.

General and Administrative

General and administrative expenses decreased \$3.3 million, or 3.8%, to \$83.5 million for the three months ended September 30, 2011 from \$86.8 million in the comparable period in 2010.

On a reporting segment basis, general and administrative expenses from the Americas segment decreased \$5.1 million, including the negative foreign currency impact of \$1.6 million, for the three months ended September 30, 2011 from the comparable period in 2010. General and administrative expenses from the EMEA segment increased \$0.4 million, including the negative foreign currency impact of \$1.1 million, for the three months ended September 30, 2011 from the comparable period in 2010. Corporate general and administrative expenses increased \$1.4 million for the three months ended September 30, 2011 from the comparable period in 2010. This increase of \$1.4 million was primarily attributable to higher compensation costs of \$0.7 million, higher legal and professional fees of \$0.4 million, higher software maintenance of \$0.2 million and higher other costs of \$0.5 million, partially offset by lower merger and acquisition costs of \$0.4 million.

In the Americas segment, as a percentage of revenues, general and administrative expenses decreased to 23.9% for the three months ended September 30, 2011 from 26.0% in the comparable period in 2010. This decrease of 2.1%, as a percentage of revenues, was primarily attributable to lower merger and acquisition costs of 1.1% due to decreased activity in 2011, lower depreciation of 0.5%, lower insurance costs of 0.3% resulting from favorable negotiations of policy renewals and lower equipment and maintenance costs of 0.2%.

In the EMEA segment, as a percentage of revenues, general and administrative expenses decreased to 24.7% for the three months ended September 30, 2011 from 27.6% in the comparable period in 2010. This decrease of 2.9%, as a percentage of revenues, was primarily attributable to lower facility-related costs of 1.0% due to the closure of certain sites in connection with the Fourth Quarter 2010 Exit Plan (See Note 4, Costs Associated with Exit or Disposal Activities, of Notes to Condensed Consolidated Financial Statements), lower compensation costs of 0.7% (primarily related to near-shore migration to new facilities in Egypt, Romania and Germany in 2010), lower travel costs of 0.5%, lower legal and professional fees of 0.4% and lower other costs of 0.3%.

Table of Contents***Impairment of Goodwill and Intangibles***

We make certain estimates and assumptions, including, among other things, an assessment of market conditions and projections of cash flows, investment rates and cost of capital and growth rates when estimating the value of our intangibles. Based on actual and forecasted operating results and deterioration of the related customer base in our ICT-acquired United Kingdom operations during the quarter ended September 30, 2010, the EMEA segment recorded an impairment loss of \$0.4 million on goodwill and intangibles (primarily customer relationships) during the three months ended September 30, 2010 (none in the comparable 2011 period).

Impairment of Long-Lived Assets

During the three months ended September 30, 2010, in connection with the Third Quarter 2010 Exit Plan (See Note 4, Costs Associated with Exit or Disposal Activities, of Notes to Condensed Consolidated Financial Statements) within the Americas segment, we recorded a \$3.1 million impairment charge for long-lived assets, primarily leasehold improvements, in the Americas segment, including the Philippines and the United States (less than \$0.1 million in the comparable 2011 period). The impairment charges represent the amount by which the carrying value of the assets exceeded the estimated fair value of those assets which cannot be redeployed to other locations.

Interest Income

Interest income was \$0.4 million for the three months ended September 30, 2011, compared to \$0.3 million in the same period in 2010. The increase of \$0.1 million reflects higher average balances of interest bearing investments in cash and cash equivalents.

Interest (Expense)

Interest expense was \$0.4 million for the three months ended September 30, 2011, compared to \$1.4 million in the same period in 2010. The decrease of \$1.0 million reflects interest and fees on higher average levels of borrowings related to the acquisition of ICT in the 2010 period.

Other Income (Expense)

Other income (expense), net, was \$(0.3) million for the three months September 30, 2011, compared to \$(0.5) million in the same period in 2010. The net decrease in other income (expense), net of \$0.2 million was primarily attributable to an increase of \$6.1 million in forward currency contract gains (which were not designated as hedging instruments), partially offset by an increase of \$5.0 million in realized and unrealized foreign currency transaction losses, net of gains, and an increase of \$0.9 million in other miscellaneous expense, net. Other income (expense) excludes the cumulative translation effects and unrealized gains (losses) on financial derivatives that are included in Accumulated other comprehensive income in shareholders equity in the accompanying Condensed Consolidated Balance Sheets.

Income Taxes

Income tax expense of \$3.0 million for the three months ended September 30, 2011 was based upon pre-tax book income of \$21.1 million. The income tax benefit of \$2.3 million for the three months ended September 30, 2010 was based upon pre-tax book income of \$11.8 million. The effective tax rate for the three months ended September 30, 2011 was 14.1% compared to an effective tax rate of (19.2)% for the comparable 2010 period. The quarter-over-quarter variance in the effective tax rate is primarily due to tax benefits recognized in the 2010 comparable period as a result of the ICT legal entity reorganization.

(Loss) from Discontinued Operations

During December 2010, we sold our Argentine operations. We accounted for this transaction in accordance with ASC 205-20 (ASC 205-20) *Discontinued Operations* , and, accordingly, we reclassified the results of operations for the three and nine months ended September 30, 2010. The loss from discontinued operations, net of taxes, totaled \$(0.4) million for the three months ended September 30, 2010.

Net Income (Loss)

As a result of the foregoing, we reported income from continuing operations for the three months ended September 30, 2011

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of \$21.5 million, an increase of \$8.1 million from the comparable period in 2010. This increase was principally attributable to an \$8.0 million increase in revenues, a \$3.3 million decrease in general and administrative expenses, a decrease in impairment of goodwill and intangibles of \$0.4 million and a decrease in the impairment of long-lived assets of \$3.1 million, partially offset by a \$6.7 million increase in direct salaries and related costs. In addition to the \$8.1 million increase in income from continuing operations, we experienced an increase in interest income of \$0.1 million, a decrease in interest (expense) of \$1.0 million, a \$0.2 million decrease in other income (expense), net, and a decrease of \$0.4 million of loss from discontinued operations, partially offset by an increase of \$5.3 million in income taxes, resulting in net income of \$18.1 million for the three months ended September 30, 2011, an increase of \$4.5 million compared to the same period in 2010.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010***Revenues***

For the nine months ended September 30, 2011, we recognized consolidated revenues of \$922.6 million, an increase of \$73.0 million or 8.6%, from \$849.6 million of consolidated revenues for the comparable period in 2010.

On a geographic segment basis, revenues from the Americas region, including the United States, Canada, Latin America, India and the Asia Pacific Rim, represented 79.7%, or \$735.6 million, for the nine months ended September 30, 2011 compared to 80.5%, or \$683.6 million, for the comparable period in 2010. Revenues from the EMEA region, including Europe, the Middle East and Africa represented 20.3%, or \$187.1 million, for the nine months ended September 30, 2011 compared to 19.5%, or \$166.0 million, for the comparable period in 2010.

America's revenues increased \$52.0 million, including the positive foreign currency impact of \$13.9 million, for the nine months ended September 30, 2011 from the comparable period in 2010, principally due to higher acquisition-related revenues of \$25.0 million, new client programs and higher volumes within new and certain existing clients. Revenues from our offshore operations represented 47.4% of Americas' revenues, compared to 47.9% for the same period in 2010. While operating margins generated offshore are generally comparable to those in the United States, our ability to maintain these offshore operating margins longer term is difficult to predict due to potential increased competition for the available workforce, the trend of higher occupancy costs and costs of functional currency fluctuations in offshore markets. We weight these factors in our focus to re-price or replace certain sub-profitable target client programs.

EMEA's revenues increased \$21.1 million, including the positive foreign currency impact of \$12.5 million, for the nine months ended September 30, 2011 from the comparable period in 2010, principally due to new client programs and higher volumes within new and certain existing clients. This \$21.1 million increase is net of a \$1.0 million decrease in revenues due to the closure of certain sites in connection with the Fourth Quarter 2010 Exit Plan (See Note 4, Costs Associated with Exit or Disposal Activities, of Notes to Condensed Consolidated Financial Statements).

Direct Salaries and Related Costs

Direct salaries and related costs increased \$58.3 million, or 10.6%, to \$609.5 million for the nine months ended September 30, 2011 from \$551.2 million in the comparable period in 2010.

On a reporting segment basis, direct salaries and related costs from the Americas segment increased \$44.4 million, including the negative foreign currency impact of \$17.0 million, for the nine months ended September 30, 2011 from the comparable period in 2010. Direct salaries and related costs from the EMEA segment increased \$13.9 million, including the negative foreign currency impact of \$9.4 million, for the nine months ended September 30, 2011 from the comparable period in 2010.

In the Americas segment, as a percentage of revenues, direct salaries and related costs increased to 63.7% for the nine months ended September 30, 2011 from 62.0% in same period in 2010. This increase of 1.7%, as a percentage of revenues, was primarily attributable to higher compensation costs of 1.8% (primarily related to lower volumes within certain existing clients without a commensurate reduction in labor costs) and higher other costs of 0.2%, partially offset by lower communication costs of 0.3%.

In the EMEA segment, as a percentage of revenues, direct salaries and related costs decreased to 75.5% for the nine months ended September 30, 2011 from 76.7% in the same period of 2010. This decrease of 1.2%, as a percentage

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of revenues, was primarily attributable to lower severance costs of 1.7% due to the closure of certain sites in connection with the Fourth Quarter 2010 Exit Plan (See Note 4, Costs Associated with Exit or Disposal Activities, of Notes to Condensed Consolidated Financial Statements), lower billable supply costs of 0.4% and lower travel costs of 0.3%, partially offset by higher communication costs of 0.4%, higher fulfillment costs of 0.4% and higher other costs of 0.4%.

General and Administrative

General and administrative expenses decreased \$13.1 million, or 4.7%, to \$263.8 million for the nine months ended September 30, 2011 from \$276.9 million for the same period in 2010.

On a reporting segment basis, general and administrative expenses from the Americas segment increased \$2.3 million, including the negative foreign currency impact of \$5.4 million, for the nine months ended September 30, 2011 from the comparable period in 2010. General and administrative expenses from the EMEA segment increased \$2.0 million, including the negative foreign currency impact of \$3.0 million, for the nine months ended September 30, 2011 from the comparable period in 2010. Corporate general and administrative expenses decreased \$17.4 million for the nine months ended September 30, 2011 from the comparable period in 2010. This decrease of \$17.4 million was primarily attributable to lower merger and acquisition costs of \$21.8 million, partially offset by higher compensation costs of \$1.6 million, higher charitable contributions of \$1.2 million, higher legal and professional fees of \$0.9 million, higher software maintenance of \$0.4 million and higher other costs of \$0.3 million.

In the Americas segment, as a percentage of revenues, general and administrative expenses decreased to 24.5% for the nine months ended September 30, 2011 from 26.1% in the comparable period in 2010. This decrease of 1.6%, as a percentage of revenues, was primarily attributable to lower merger and acquisition costs of 0.5%, lower depreciation costs of 0.3%, lower compensation costs of 0.2%, lower insurance costs of 0.2%, lower other taxes of 0.2% and lower other costs of 0.2%.

In the EMEA segment, as a percentage of revenues, general and administrative expenses decreased to 25.4% for the nine months ended September 30, 2011 from 27.4% in the comparable period in 2010. This decrease of 2.0%, as a percentage of revenues, was primarily attributable to lower compensation costs of 0.8% (primarily related to near-shore migration to new facilities in Egypt, Romania and Germany in 2010), lower facility-related costs of 0.8% due to the closure of certain sites in connection with the Fourth Quarter 2010 Exit Plan (See Note 4, Costs Associated with Exit or Disposal Activities, of Notes to Condensed Consolidated Financial Statements), lower travel costs of 0.3%, lower legal and professional fees of 0.2% and lower other costs of 0.2%, partially offset by higher merger and acquisition costs of 0.3%.

Net (Gain) Loss on Disposal of Property and Equipment

Net (gain) loss on disposal of property and equipment was \$(3.5) million for the nine months ended September 30, 2011, primarily due to the gain on the sale of land and a building located in Minot, North Dakota (less than \$0.1 million net loss in the comparable 2010 period).

Impairment of Goodwill and Intangibles

We make certain estimates and assumptions, including, among other things, an assessment of market conditions and projections of cash flows, investment rates and cost of capital and growth rates when estimating the value of our intangibles. Based on actual and forecasted operating results and deterioration of the related customer base in our ICT-acquired United Kingdom operations during the quarter ended September 30, 2010, the EMEA segment recorded an impairment loss of \$0.4 million on goodwill and intangibles (primarily customer relationships) during the nine months ended September 30, 2010 (none in the comparable 2011 period).

Impairment of Long-Lived Assets

During the nine months ended September 30, 2011, in connection with the Third Quarter 2010 Exit Plan (See Note 4, Costs Associated with Exit or Disposal Activities, of Notes to Condensed Consolidated Financial Statements) within the Americas segment, we recorded an impairment charge of \$0.8 million, resulting primarily from a change in assumptions related to the redeployment of property and equipment. During the nine months ended September 30, 2010, in connection with the Third Quarter 2010 Exit Plan, we recorded a \$3.1 million impairment charge for long-lived assets, primarily leasehold improvements, in the Americas segment, including the Philippines and the

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United States. The impairment charges represent the amount by which the carrying value of the assets exceeded the estimated fair value of those assets which cannot be redeployed to other locations.

Interest Income

Interest income was \$1.0 million for the nine months ended September 30, 2011, compared to \$0.8 million in the same period in 2010. The increase of \$0.2 million reflects higher average balances of interest bearing investments in cash and cash equivalents.

Interest (Expense)

Interest expense was \$1.3 million for the nine months ended September 30, 2011, compared to \$5.2 million in the same period in 2010. The decrease of \$3.9 million reflects interest and fees on higher average levels of borrowings related to the acquisition of ICT in the 2010 period.

Other Income (Expense)

Other income (expense), net, was \$(2.2) million for the nine months ended September 30, 2011, compared to \$(5.6) million in the same period in 2010. The net decrease in other income (expense), net, of \$3.4 million was primarily attributable to an increase of \$3.8 million in forward currency contract gains (which were not designated as hedging instruments) and a decrease of \$0.2 million in realized and unrealized foreign currency transaction losses, net of gains, partially offset by an increase of \$0.6 million in other miscellaneous expense, net. Other income (expense) excludes the cumulative translation effects and unrealized gains (losses) on financial derivatives that are included in

Accumulated other comprehensive income in shareholders' equity in the accompanying Condensed Consolidated Balance Sheets.

Income Taxes

Income tax expense of \$6.2 million for the nine months ended September 30, 2011 reflects the recognition of \$3.2 million and \$1.4 million of tax benefits primarily related to the favorable resolution of a tax audit and a net reversal of valuation allowances, respectively. The tax expense was based upon pre-tax book income of \$49.5 million. The income tax benefit of \$1.8 million for the nine months ended September 30, 2010 includes tax benefits recognized on losses related to acquisition-related costs, and was based upon pre-tax book income of \$8.1 million. The effective tax rate for the nine months ended September 30, 2011 was 12.6% compared to an effective tax rate of (21.8)% for the comparable 2010 period. The year-over-year variance in the effective tax rate is primarily due to tax benefits recognized in the 2010 comparable period as a result of the ICT legal entity reorganization and tax benefits recognized on losses related to ICT acquisition-related costs incurred in 2010.

(Loss) from Discontinued Operations

During December 2010, we sold our Argentine operations. We accounted for this transaction in accordance with ASC 205-20 (ASC 205-20) *Discontinued Operations* , and, accordingly, we reclassified the results of operations for the three and nine months ended September 30, 2010. The loss from discontinued operations, net of taxes, totaled \$3.2 million for the nine months ended September 30, 2010.

Net Income (Loss)

As a result of the foregoing, we reported income from continuing operations for the nine months ended September 30, 2011 of \$52.0 million, an increase of \$33.9 million from the comparable period in 2010. This increase was principally attributable to a \$73.0 million increase in revenues, a \$13.1 million decrease in general and administrative expenses, a \$3.4 million increase in net (gain) on disposal of property and equipment, a decrease in impairment of goodwill and intangibles of \$0.4 million and a decrease in the impairment of long-lived assets of \$2.3 million, partially offset by a \$58.3 million increase in direct salaries and related costs. In addition to the \$33.9 million increase in income from continuing operations, we experienced an increase in interest income of \$0.2 million, a decrease in interest (expense) of \$3.9 million, a \$3.4 million decrease in other income (expense), net, and a decrease of \$3.2 million of loss from discontinued operations, partially offset by an increase of \$8.0 million in income taxes, resulting in net income of \$43.3 million for the nine months ended September 30, 2011, an increase of \$36.6 million compared to the same period in 2010.

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Client Concentration

Our top ten clients accounted for approximately 44.9% and 43.4%, respectively, of our consolidated revenues in the three and nine months ended September 30, 2011, up from approximately 42.7% and 41.5%, respectively, of our consolidated revenues in the three and nine months ended September 30, 2010.

Total consolidated revenues included \$33.6 million, or 11.1%, and \$100.7 million, or 10.9%, of consolidated revenues, for the three and nine months ended September 30, 2011, respectively, from AT&T Corporation, a major provider of communication services for which we provide various customer support services over several distinct lines of AT&T business. This included \$32.8 million and \$98.2 million in revenue from the Americas for the three and nine months ended September 30, 2011, respectively, and \$0.8 million and \$2.5 million in revenue from EMEA for the three and nine months ended September 30, 2011, respectively. Our next largest client accounted for \$16.6 million, or 5.5%, and \$48.4 million, or 5.2%, of consolidated revenues, for the three and nine months ended September 30, 2011. The consolidated revenues for the comparable periods as it relates to this relationship were \$38.1 million, or 12.9%, and \$115.6 million, or 13.6%, of consolidated revenues, for the three and nine months ended September 30, 2010, respectively. This included \$37.0 million and \$110.4 million in revenue from the Americas for the three and nine months ended September 30, 2010, respectively, and \$1.1 million and \$5.2 million in revenue from EMEA for the three and nine months ended September 30, 2010, respectively. Our next largest client accounted for \$14.5 million, or 4.9%, and \$35.9 million, or 4.2%, of consolidated revenues, for the three and nine months ended September 30, 2010.

Liquidity and Capital Resources

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

On August 5, 2002, the Company's Board authorized the Company to purchase up to 3.0 million shares of its outstanding common stock (the 2002 Share Repurchase Program) and on August 18, 2011, the Company's Board authorized the Company to purchase up to 5.0 million shares of its outstanding common stock (the 2011 Share Repurchase Program). During the nine months ended September 30, 2011, the Company repurchased a total of 2.8 million shares of common stock under these plans.

During the nine months ended September 30, 2011, we repurchased 0.8 million common shares under the 2002 Share Repurchase Program at prices ranging from \$12.46 to \$18.53 per share for a total cost of \$12.3 million. During the nine months ended September 30, 2010, we repurchased 0.3 million common shares at prices ranging from \$16.92 to \$17.60 per share for a total cost of \$5.2 million. All available shares under the 2002 Share Repurchase Program have been repurchased.

During the nine months ended September 30, 2011, we repurchased 2.0 million common shares under the 2011 Share Repurchase Program at prices ranging from \$14.18 to \$16.10 per share for a total cost of \$30.4 million. The shares are purchased, from time to time, through open market purchases or in negotiated private transactions, and the purchases are based on factors, including but not limited to, the stock price and general market conditions. The 2011 Share Repurchase Program has no expiration date. We may make additional discretionary stock repurchases under this program in 2011.

During the nine months ended September 30, 2011, cash increased \$79.9 million from operating activities, proceeds from sale of property and equipment of \$3.9 million, proceeds from an insurance settlement of \$1.7 million, proceeds from issuance of stock of \$0.2 million and proceeds from grants of \$0.1 million. Further, we used \$42.7 million on the repurchase of the Company's stock, \$21.8 million for capital expenditures, \$1.2 million to repurchase stock for minimum tax withholding on equity awards and \$0.5 million investment in restricted cash resulting in a \$15.0 million increase in available cash (including the unfavorable effects of international currency exchange rates on cash of \$4.6 million).

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Net cash flows provided by operating activities for the nine months ended September 30, 2011 were \$79.9 million, compared to \$40.2 million provided by operating activities for the comparable 2010 period. The \$39.7 million increase in net cash flows from operating activities was due to a \$36.6 million increase in net income and a net increase of \$7.2 million in cash flows from assets and liabilities partially offset by \$4.1 million decrease in non-cash reconciling items such as net (gain) on disposal of property and equipment, depreciation and amortization, deferred income taxes, stock-based compensation and unrealized gains on financial instruments. The \$7.2 million increase in cash flows from assets and liabilities was principally a result of a \$3.1 million decrease in receivables, a \$4.3 million increase in income taxes payable, a \$1.4 million increase in deferred revenue and a \$1.3 million increase in other liabilities, partially offset by a \$2.9 million increase in other assets. The increase in cash flows from assets and liabilities primarily relates to the timing of current billings, subsequent payments and tax payments over the comparable period in 2010.

During 2010, we sold our Argentine operations. Cash flows from discontinued operations were as follows (in thousands):

	For the Nine Months Ended September 30, 2010
Cash provided by operating activities of discontinued operations	\$ 208
Cash provided by investing activities of discontinued operations	998
	\$ 1,206

Cash provided by operating activities of discontinued operations represents the cash provided the Argentine operations for the nine months ended September 30, 2010. Cash provided by investing activities of discontinued operations in the nine months ended September 30, 2010 primarily represents the cash on the balance sheet of the Argentine operations at the time of the ICT acquisition. We do not expect the sale of our Argentine operations to negatively affect our future liquidity and capital resources.

Capital expenditures, which are generally funded by cash generated from operating activities, available cash balances and borrowings available under our credit facilities, were \$21.8 million for the nine months ended September 30, 2011, compared to \$21.5 million for the comparable period of 2010, an increase of \$0.3 million. In 2011, we anticipate capital expenditures in the range of \$30.0 million to \$32.0 million, primarily for maintenance and systems infrastructure.

On February 2, 2010, we entered into a Credit Agreement (the "Credit Agreement") with a group of lenders and KeyBank, as Lead Arranger, Sole Book Runner and Administrative Agent. The Credit Agreement provides for a \$75 million Term Loan and a \$75 million revolving credit facility, which is subject to certain borrowing limitations and includes certain customary financial and restrictive covenants. We drew down the full \$75 million Term Loan on February 2, 2010 in connection with the acquisition of ICT on such date. As of December 31, 2010, the entire \$75 million Term Loan has been repaid and is no longer available for borrowings. See Note 2, Acquisition of ICT, and Note 12, Borrowings, of Notes to Condensed Consolidated Financial Statements for further information. At September 30, 2011, we were in compliance with all loan requirements of the Credit Agreement.

The \$75 million revolving credit facility provided under the Credit Agreement includes a \$40 million multi-currency sub-facility, a \$10 million swingline sub-facility and a \$5 million letter of credit sub-facility, which may be used for general corporate purposes including strategic acquisitions, share repurchases, working capital support, and letters of credit, subject to certain limitations. We are not currently aware of any inability of our lenders to provide access to the full commitment of funds that exist under the revolving credit facility, if necessary. However, there can be no assurance that such facility will be available to us, even though it is a binding commitment. The revolving credit facility will mature on February 1, 2013.

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

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1.00%. Swingline loans bear interest only at the base rate plus the base rate margin. In addition, we are required to pay certain customary fees, including a commitment fee of up to 0.75%, which is due quarterly in arrears and calculated on the average unused amount of the revolving credit facility.

In 2010, we paid an underwriting fee of \$3.0 million for the Credit Agreement, which is deferred and amortized over the term of the loan. In addition, we pay a quarterly commitment fee on the Credit Agreement. The related interest expense and amortization of deferred loan fees on the Credit Agreement of \$0.3 million and \$0.9 million are included in Interest expense in the accompanying Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2011, respectively. During the comparable 2010 periods, the related interest expense and amortization of deferred loan fees on the Credit Agreement were \$1.1 million and \$2.9 million, respectively. The \$75 million Term Loan had a weighted average interest rate of 3.87% and 3.93% for the three and nine months ended September 30, 2010, respectively.

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

In December 2009, Sykes (Bermuda) Holdings Limited, a Bermuda exempted company (Sykes Bermuda) which is an indirect wholly-owned subsidiary of SYKES, entered into a credit agreement with KeyBank (the Bermuda Credit Agreement). The Bermuda Credit Agreement provided for a \$75 million short-term loan to Sykes Bermuda with a maturity date of March 31, 2010. Sykes Bermuda drew down the full \$75 million in December 2009. Interest was charged on the outstanding amounts, at the option of Sykes Bermuda, at either a Eurodollar Rate (as defined in the Bermuda Credit Agreement) or a Base Rate (as defined in the Bermuda Credit Agreement) plus, in each case, an applicable margin specified in the Bermuda Credit Agreement. The underwriting fee paid of \$0.8 million was deferred and amortized over the term of the loan. Sykes Bermuda repaid the entire outstanding amount plus accrued interest on March 31, 2010. The related interest expense and amortization of deferred loan fees of \$1.4 million are included in Interest expense in the accompanying Condensed Consolidated Statement of Operations for the nine months ended September 30, 2010 (none in the three months ended September 30, 2010 or for the three and nine months ended September 30, 2011).

At September 30, 2011, we had \$204.8 million in cash and cash equivalents, of which approximately 84.0% or \$172.0 million was held in international operations and may be subject to additional taxes if repatriated to the United States, including withholding tax applied by the country of origin and repatriation tax on the foreign-source income. During the nine months ended September 30, 2011, we repatriated \$25.0 million (the remaining balance of the \$50.0 million 2010 determination of intent to distribute the majority of the accumulated and undistributed earnings of an ICT foreign subsidiary). We have no plans to repatriate any additional cash and cash equivalents held by our international operations to the United States. There are circumstances where we may be unable to repatriate some of the cash and cash equivalents held by our international operations due to country restrictions.

We believe that our current cash levels, accessible funds under our credit facilities and cash flows generated from future operations will be adequate to meet anticipated working capital needs, future debt repayment requirements, continued expansion objectives, funding of potential acquisitions, anticipated levels of capital expenditures and contractual obligations for the next twelve months and any stock repurchases. Our cash resources could be affected by various risks and uncertainties, including but not limited to the risks described in our Annual Report on Form 10-K for the year ended December 31, 2010.

Off-Balance Sheet Arrangements and Other

At September 30, 2011, we did not have any material commercial commitments, including guarantees or standby repurchase obligations, or any relationships with unconsolidated entities or financial partnerships, including entities often referred to as structured finance or special purpose entities or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Table of Contents**Contractual Obligations**

The following table summarizes the material changes to our contractual cash obligations as of September 30, 2011 and the effect these obligations are expected to have on liquidity and cash flow in future periods (in thousands):

	Total	Payments Due By Period				Other
		Less Than 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years	
Purchase obligations and other ⁽¹⁾	\$ 7,586	\$ 3,434	\$ 3,809	\$ 343	\$	\$

⁽¹⁾ Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty.

Except for the contractual obligations mentioned above, there have not been any material changes to the outstanding contractual obligations from the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2010.

Critical Accounting Policies and Estimates

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

We believe the following accounting policies are the most critical since these policies require significant judgment or involve complex estimations that are important to the portrayal of our financial condition and operating results:

Recognition of Revenue

We recognize revenue in accordance with ASC 605 *Revenue Recognition*.

We primarily recognize revenues from services as the services are performed, which is based on either a per minute, per call or per transaction basis, under a fully executed contractual agreement and record reductions to revenues for contractual penalties and holdbacks for failure to meet specified minimum service levels and other performance based contingencies. Revenue recognition is limited to the amount that is not contingent upon delivery of any future product or service or meeting other specified performance conditions.

Product sales, accounted for within our fulfillment services, are recognized upon shipment to the customer and satisfaction of all obligations.

In accordance with ASC 605-25 (ASC 605-25) *Revenue Recognition Multiple-Element Arrangements*, revenue from contracts with multiple-deliverables is allocated to separate units of accounting based on their relative fair value, if the deliverables in the contract(s) meet the criteria for such treatment. Certain fulfillment services contracts contain multiple-deliverables. Separation criteria included whether a delivered item has value to the customer on a stand-alone basis, whether there is objective and reliable evidence of the fair value of the undelivered items and, if the arrangement includes a general right of return related to a delivered item, whether delivery of the undelivered item is considered probable and in our control. Fair value is the price of a deliverable when it is regularly sold on a stand-alone basis, which generally consists of vendor-specific objective evidence of fair value. If there is no evidence of the fair value for a delivered product or service, revenue is allocated first to the fair value of the undelivered product or service and then the residual revenue is allocated to the delivered product or service. If there is no evidence

of the fair value for an undelivered product or service, the contract(s) is accounted for as a single unit of accounting, resulting in delay of revenue recognition for the delivered product or service until the undelivered product or service portion of the contract is complete. We recognize revenues for delivered elements only when the fair values of undelivered elements are known, uncertainties regarding client acceptance are resolved,

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and there are no client-negotiated refund or return rights affecting the revenue recognized for delivered elements. Once we determine the allocation of revenues between deliverable elements, there are no further changes in the revenue allocation. If the separation criteria are met, revenues from these services are recognized as the services are performed under a fully executed contractual agreement. If the separation criteria are not met because there is insufficient evidence to determine fair value of one of the deliverables, all of the services are accounted for as a single combined unit of accounting. For deliverables with insufficient evidence to determine fair value, revenue is recognized on the proportional performance method using the straight-line basis over the contract period, or the actual number of operational seats used to serve the client, as appropriate. As of September 30, 2011, our fulfillment contracts with multiple-deliverables met the separation criteria as outlined in ASC 605-25 and the revenue was accounted for accordingly. We have no other contracts that contain multiple-deliverables as of September 30, 2011. In October 2009, the Financial Accounting Standards Board amended the accounting standards for certain multiple-deliverable revenue arrangements. We adopted this guidance on a prospective basis for applicable transactions originated or materially modified since January 1, 2011, the adoption date. Since there were no such transactions executed or materially modified since adoption on January 1, 2011, there was no impact on our financial condition, results of operations and cash flows. The amended standard:

updates guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and how the consideration should be allocated;

requires an entity to allocate revenue in an arrangement using the best estimated selling price of deliverables if a vendor does not have vendor-specific objective evidence of selling price or third-party evidence of selling price; and

eliminates the use of the residual method and requires an entity to allocate revenue using the relative selling price method.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts, \$4.2 million as of September 30, 2011 or 1.8% of trade account receivables, for estimated losses arising from the inability of our customers to make required payments. Our estimate is based on factors surrounding the credit risk of certain clients, historical collection experience and a review of the current status of trade accounts receivable. It is reasonably possible that our estimate of the allowance for doubtful accounts will change if the financial condition of our customers were to deteriorate, resulting in a reduced ability to make payments.

Income Taxes

We reduce deferred tax assets by a valuation allowance if, based on the weight of available evidence, both positive and negative, for each respective tax jurisdiction, it is more likely than not that some portion or all of such deferred tax assets will not be realized. The valuation allowance for a particular tax jurisdiction is allocated between current and noncurrent deferred tax assets for that jurisdiction on a pro rata basis. Available evidence which is considered in determining the amount of valuation allowance required includes, but is not limited to, our estimate of future taxable income and any applicable tax-planning strategies.

At December 31, 2010, we determined that a total valuation allowance of \$60.1 million was necessary to reduce U.S. deferred tax assets by \$6.2 million and foreign deferred tax assets by \$53.9 million, where it was more likely than not that some portion or all of such deferred tax assets will not be realized. The recoverability of the remaining net deferred tax asset of \$18.3 million at December 31, 2010 is dependent upon future profitability within each tax jurisdiction. As of September 30, 2011, based on our estimates of future taxable income and any applicable tax planning strategies within various tax jurisdictions, we reversed the valuation allowance by \$1.4 million and increased the net deferred tax assets accordingly. We believe that it is more likely than not that the remaining net deferred tax assets will be realized.

Generally, earnings associated with the investments in our subsidiaries are considered to be permanently invested and provisions for income taxes on those earnings or translation adjustments are not recorded. However, we changed our intent to distribute current earnings from various foreign operations to their foreign parents to take advantage of the

December 2010 Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (the Tax Relief Act), which includes the extension until December 31, 2011 of Internal Revenue Code Section 954(c)(6). The Tax Relief Act permits continued tax deferral on such distributions that would otherwise be taxable

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immediately in the United States. While the distributions are not taxable in the United States, related foreign withholding taxes have been accrued in the Condensed Consolidated Balance Sheets.

In addition, the U.S. Department of the Treasury released the General Explanations of the Administration's Fiscal Year 2012 Revenue Proposals in February 2011. These proposals represent a significant shift in international tax policy, which may materially impact U.S. taxation of international earnings. We continue to monitor these proposals and are currently evaluating their potential impact on our financial condition, results of operations, and cash flows. Determination of any unrecognized deferred tax liability for temporary differences related to investments in foreign subsidiaries that are essentially permanent in nature is not practicable.

We evaluate tax positions that have been taken or are expected to be taken in our tax returns, and record a liability for uncertain tax positions in accordance with ASC 740 (ASC 740) *Income Taxes*. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. First, tax positions are recognized if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, the tax position is measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision. We had \$16.7 million and \$21.0 million of unrecognized tax benefits as of September 30, 2011 and December 31, 2010, respectively.

Our provision for income taxes is subject to volatility and is impacted by the distribution of earnings in the various domestic and international jurisdictions in which we operate. Our effective tax rate could be impacted by earnings being either proportionally lower or higher in foreign countries where we have tax rates lower than the U.S. tax rates. In addition, we have been granted tax holidays in several foreign tax jurisdictions, which have various expiration dates ranging from 2011 through 2023. If we are unable to renew a tax holiday in any of these jurisdictions, our effective tax rate could be adversely impacted. In some cases, the tax holidays expire without possibility of renewal. In other cases, we expect to renew these tax holidays, but there are no assurances from the respective foreign governments that they will permit a renewal. Our effective tax rate could also be affected by several additional factors, including changes in the valuation of our deferred tax assets or liabilities, changing legislation, regulations, and court interpretations that impact tax law in multiple tax jurisdictions in which we operate, as well as new requirements, pronouncements and rulings of certain tax, regulatory and accounting organizations.

Impairment of Goodwill, Intangibles and Other Long-Lived Assets

We review long-lived assets, which had a carrying value of \$261.7 million as of September 30, 2011, including goodwill, intangibles and property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable and at least annually for impairment testing of goodwill. An asset is considered to be impaired when the carrying amount exceeds the fair value. Upon determination that the carrying value of the asset is impaired, we would record an impairment charge, or loss, to reduce the asset to its fair value. Future adverse changes in market conditions or poor operating results of the underlying investment could result in losses or an inability to recover the carrying value of the investment and, therefore, might require an impairment charge in the future.

New Accounting Standards

In May 2011, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2011-04 (ASU 2011-04) *Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments in ASU 2011-04 result in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards (IFRS). Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about

fair value measurements. The amendments in ASU 2011-04 are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011. We do not

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expect the adoption of this amendment to materially impact its financial condition, results of operations and cash flows.

In June 2011, the FASB issued ASU 2011-05 (ASU 2011-05) *Comprehensive Income (Topic 220) Presentation of Comprehensive Income* . The amendments in ASU 2011-05 require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The amendments in ASU 2011-05 are to be applied retrospectively and are effective during interim and annual periods beginning after December 15, 2011. We are currently evaluating the impact of ASU 2011-05 on our financial statement presentation of comprehensive income. In September 2011, the FASB issued ASU 2011-08 (ASU 2011-08) *Intangibles - Goodwill and Other (Topic 350) Testing Goodwill for Impairment* . The amendments in ASU 2011-08 provide entities with the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. Under the amendments in ASU 2011-08, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. An entity may resume performing the qualitative assessment in any subsequent period. The amendments in ASU 2011-08 are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, and may be early adopted. We do not expect the adoption of ASU 2011-08 to materially impact our financial condition, results of operations, cash flows and footnote disclosures.

Unless we need to clarify a point to readers, we will refrain from citing specific section references when discussing the application of accounting principles or addressing new or pending accounting rule changes.

U.S. Healthcare Reform Acts

In March 2010, the President of the United States signed into law comprehensive health care reform legislation under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (the Acts). The Acts contain provisions that could materially impact the Company's healthcare costs in the future, thus adversely affecting the Company's profitability. We are currently evaluating the potential impact of the Acts, if any, on our financial condition, results of operations and cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk**Foreign Currency Risk**

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

We employ a foreign currency risk management program that periodically utilizes derivative instruments to protect against unanticipated fluctuations in earnings and cash flows caused by volatility in foreign currency exchange (FX) rates. Option and forward derivative contracts are used to hedge intercompany receivables and payables, and other transactions initiated in the United States, that are denominated in a foreign currency. Additionally, we may employ FX contracts to hedge net investments in foreign operations.

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We serve a number of U.S.-based clients using customer contact management center capacity in the Philippines, Canada and Costa Rica, which are within our Americas segment. Although the contracts with these clients are priced in USDs, a substantial portion of the costs incurred to render services under these contracts are denominated in Philippine Pesos (PHP), Canadian Dollars (CAD) and Costa Rican Colones (CRC), which represent FX exposures. In order to hedge a portion of our anticipated cash flow requirements denominated in PHP, CAD and CRC, we had outstanding forward contracts and options as of September 30, 2011 with counterparties through September 2012 with notional amounts totaling \$155.8 million. As of September 30, 2011, we had net total derivative liabilities associated with these contracts of \$0.9 million, which will settle within the next 12 months. The fair value of these derivative instruments as of September 30, 2011 is presented in Note 7, Financial Derivatives, of Notes to Condensed Consolidated Financial Statements . If the USD was to weaken against the PHP, CAD and CRC by 10% from current period-end levels, we would incur a loss of approximately \$11.4 million on the underlying exposures of the derivative instruments. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We also entered into forward exchange contracts that are not designated as hedges. The purpose of these derivative instruments is to protect against FX volatility pertaining to intercompany receivables and payables, and other assets and liabilities that are denominated in currencies other than our subsidiaries' functional currencies. As of September 30, 2011, the fair value of these derivatives was a net receivable of \$2.8 million. The potential loss in fair value at September 30, 2011, for these contracts resulting from a hypothetical 10% adverse change in the foreign currency exchange rates is approximately \$3.8 million. However, this loss would be mitigated by corresponding gains on the underlying exposures.

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

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

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

Interest Rate Risk

Our exposure to interest rate risk results from variable debt outstanding under the revolving credit facility under our Credit Agreement. We pay interest on outstanding borrowings at interest rates that fluctuate based upon changes in various base rates. During the three and nine months ended September 30, 2011, we had no debt outstanding under the revolving credit facility.

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

Fluctuations in Quarterly Results

For the year ended December 31, 2010, quarterly revenues as a percentage of total consolidated annual revenues were approximately 23%, 25%, 25% and 27%, respectively, for each of the respective quarters of the year. We have experienced and anticipate that in the future we will experience variations in quarterly revenues. The variations are due to the timing of new contracts and renewal of existing contracts, the timing and frequency of client spending for customer contact management services, non-U.S. currency fluctuations, and the seasonal pattern of customer contact management support and fulfillment services.

Item 4. Controls and Procedures

As of September 30, 2011, under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. Our disclosure controls and procedures

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are designed to provide reasonable assurance that the information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time period specified by the SEC's rules and forms, and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. We concluded that, as of September 30, 2011, our disclosure controls and procedures were effective at the reasonable assurance level.

There were no changes in our internal controls over financial reporting during the quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Table of Contents**Part II. OTHER INFORMATION****Item 1. Legal Proceedings**

We have previously disclosed three pending matters involving regulatory sanctions assessed against our Spanish subsidiary. All three matters relate to the alleged inappropriate acquisition of personal information in connection with two outbound client contracts. In connection with the appeal of one of these claims, we issued a bank guarantee, which is included as restricted cash of \$0.4 million in *Deferred charges and other assets* in the accompanying Condensed Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010. Based upon the opinion of legal counsel regarding the likely outcome of these three matters, we accrued a liability in the amount of \$1.3 million in accordance with the Financial Accounting Standards Board's Accounting Standards Codification 450 *Contingencies* because we believed that a loss was probable and the amount of the loss could be reasonably estimated. In the quarter ended December 31, 2010, the Spanish Supreme Court ruled in our favor in one of the three subject claims. Accordingly, we reversed the accrual in the amount of \$0.5 million related to that particular claim. The accrued liability included in *Other accrued expenses and current liabilities* in the accompanying Condensed Consolidated Balance Sheets was \$0.8 million as of September 30, 2011 and December 31, 2010. One of the other two claims has been finally decided against the Company on procedural grounds, and the final claim remains on appeal to the Spanish Supreme Court.

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

Item 1A. Risk Factors

For risk factors, see Item 1A, *Risk Factors*, of our Annual Report on Form 10-K for the year ended December 31, 2010 filed on March 8, 2011. Our risk factors have not changed materially since December 31, 2010.

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

Below is a summary of stock repurchases for the three months ended September 30, 2011 (in thousands, except average price per share). See Note 15, *Earnings Per Share*, of *Notes to Condensed Consolidated Financial Statements* for information regarding our stock repurchase program.

Period	Total Number of Shares Purchased⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under Plans or Programs
July 1, 2011 - July 31, 2011 .		\$		498
August 1, 2011 - August 31, 2011	645	\$ 13.80	645	4,853
September 1, 2011 - September 30, 2011	1,853	\$ 15.21	1,853	3,000
Total	2,498		2,498	3,000

(1)

All shares purchased as part of repurchase plans publicly announced on August 5, 2002 and August 8, 2011. Total number of shares approved for repurchase under the 2002 plan was 3.0 million. All of the available shares have been repurchased. Total number of shares approved for repurchase under the 2011 plan was 5.0 million with no expiration date.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Removed and Reserved

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Item 5. Other Information

None.

Item 6. Exhibits

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

- 10.1 Sykes Enterprises, Incorporated 2011 Equity Incentive Plan.
- 15 Awareness letter.
- 31.1 Certification of Chief Executive Officer, pursuant to Rule 13a-14(a).
- 31.2 Certification of Chief Financial Officer, pursuant to Rule 13a-14(a).
- 32.1 Certification of Chief Executive Officer, pursuant to 18 U.S.C. §1350.
- 32.2 Certification of Chief Financial Officer, pursuant to 18 U.S.C. §1350.
- 101 The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed on November 8, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Changes in Stockholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

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SIGNATURE

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

SYKES ENTERPRISES, INCORPORATED
(Registrant)

Date: November 8, 2011

By: /s/ W. Michael Kipphut
W. Michael Kipphut
Executive Vice President and Chief Financial
Officer
(Principal Financial and Accounting Officer)

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EXHIBIT INDEX

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