

PREMIERE GLOBAL SERVICES, INC.

Form 10-Q

November 09, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-13577

PREMIERE GLOBAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Georgia

59-3074176

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

3280 Peachtree Rd N.E., The Terminus Building, Suite 1000, Atlanta, Georgia 30305

(Address of principal executive offices, including zip code)

(404) 262-8400

(Registrant's telephone number including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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

Large accelerated filer ☐

Accelerated filer

☒

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

Smaller reporting
company

☐

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

Yes ☐ No ☒

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 5, 2015
Common Stock, \$0.01 par value	46,753,585

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
INDEX TO FORM 10-Q

	Page
PART I FINANCIAL INFORMATION	
Item 1 Condensed Consolidated Financial Statements (unaudited)	
<u>Condensed Consolidated Balance Sheets</u> <u>as of September 30, 2015 and December 31, 2014</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations</u> <u>for the Three and Nine Months Ended September 30, 2015 and 2014</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u> <u>for the Three and Nine Months Ended September 30, 2015 and 2014</u>	<u>3</u>
<u>Condensed Consolidated Statement of Shareholders' Equity</u> <u>for the Nine Months Ended September 30, 2015</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows</u> <u>for the Nine Months Ended September 30, 2015 and 2014</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
Item 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>39</u>
Item 4 <u>Controls and Procedures</u>	<u>39</u>
PART II OTHER INFORMATION	
Item 1 <u>Legal Proceedings</u>	<u>40</u>
Item 1A <u>Risk Factors</u>	<u>40</u>
Item 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>41</u>
Item 6 <u>Exhibits</u>	<u>41</u>
<u>SIGNATURE</u>	<u>42</u>
<u>EXHIBIT INDEX</u>	<u>43</u>

PART I. FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

(unaudited)

	September 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$19,317	\$40,220
Accounts receivable (net of allowances of \$740 and \$557, respectively)	89,347	77,334
Prepaid expenses and other current assets	17,616	13,536
Income taxes receivable	707	1,897
Deferred income taxes, net	10,148	10,447
Total current assets	137,135	143,434
PROPERTY AND EQUIPMENT, NET	100,647	100,954
OTHER ASSETS		
Goodwill	410,089	386,416
Intangibles, net of amortization	96,411	102,350
Deferred income taxes, net	2,422	2,342
Other assets	13,810	20,734
Total assets	\$760,514	\$756,230
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$48,418	\$57,211
Income taxes payable	1,346	2,217
Accrued taxes, other than income taxes	14,177	17,562
Accrued expenses	51,420	37,807
Current maturities of long-term debt and capital lease obligations	2,199	1,971
Accrued restructuring costs	431	958
Deferred income taxes, net	16	17
Total current liabilities	118,007	117,743
LONG-TERM LIABILITIES		
Long-term debt and capital lease obligations	335,811	332,825
Accrued expenses	34,198	23,219
Deferred income taxes, net	24,824	27,453
Total long-term liabilities	394,833	383,497
COMMITMENTS AND CONTINGENCIES (Note 11)		
SHAREHOLDERS' EQUITY		
Common stock, \$.01 par value; 150,000,000 shares authorized, 46,753,585	470	475
and 47,378,794 shares issued and outstanding, respectively		
Additional paid-in capital	436,060	442,585
Accumulated other comprehensive loss	(16,603)	) (6,545)
Accumulated deficit	(172,253)	) (181,525)
Total shareholders' equity	247,674	254,990
Total liabilities and shareholders' equity	\$760,514	\$756,230

Accompanying notes are integral to these condensed consolidated financial statements.

1

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015		2014		
Net revenue	\$ 140,967		\$ 140,383		\$ 427,593	\$ 427,909	
Operating expenses							
Cost of revenue (exclusive of depreciation and amortization shown separately below)	56,302		57,965		170,343	176,508	
Selling and marketing	37,000		36,813		111,125	112,242	
General and administrative (exclusive of expenses shown separately below)	19,336		17,810		60,509	54,815	
Research and development	5,793		5,534		16,385	14,655	
Excise and sales tax expense	331		—		331	—	
Depreciation	8,886		8,697		26,350	26,248	
Amortization	3,962		2,582		12,399	7,549	
Restructuring costs	49		68		4,195	68	
Asset impairments	1		4,938		151	4,938	
Net legal settlements and related expenses	(10	)	172		(21	) 172
Acquisition/divestiture-related costs	2,421		2,147		6,021	5,838	
Total operating expenses	134,071		136,726		407,788	403,033	
Operating income	6,896		3,657		19,805	24,876	
Other (expense) income							
Interest expense	(2,975)	(2,133)	(8,478) (6,618)
Interest income	2		5		16	25	
Other, net	(1,018	)	741		(616	) 996
Total other expense, net	(3,991)	(1,387)	(9,078) (5,597)
Income from continuing operations before income taxes	2,905		2,270		10,727	19,279	
Income tax (benefit) expense	(553	)	(376	)	1,002	5,230
Net income from continuing operations	3,458		2,646		9,725	14,049	
Loss from discontinued operations, net of taxes	(119)	(100)	(453) (283)
Net income	\$ 3,339		\$ 2,546		\$ 9,272	\$ 13,766	
BASIC WEIGHTED-AVERAGE SHARES OUTSTANDING	44,133		45,162		44,365	45,797	
Basic net income (loss) per share ⁽¹⁾							
Continuing operations	\$ 0.08		\$ 0.06		\$ 0.22	\$ 0.31	
Discontinued operations	—		—		(0.01) (0.01)
Net income per share	\$ 0.08		\$ 0.06		\$ 0.21	\$ 0.30	
DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING	45,002		45,898		45,028	46,485	
Diluted net income (loss) per share ⁽¹⁾							
Continuing operations	\$ 0.08		\$ 0.06		\$ 0.22	\$ 0.30	
Discontinued operations	—		—		(0.01) (0.01)
Net income per share	\$ 0.07		\$ 0.06		\$ 0.21	\$ 0.30	

(1) Column totals may not sum due to the effect of rounding on EPS.

Accompanying notes are integral to these condensed consolidated financial statements.

2

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (in thousands)
 (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$3,339	\$2,546	\$9,272	\$13,766
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale securities, net of taxes	672	(21	) 755	(1,694)
Net gain reclassified from accumulated other comprehensive income to net income	—	—	—	(468)
Translation adjustments	(5,807)	(9,388)	(10,813)	(7,039)
Total other comprehensive loss	(5,135)	(9,409)	(10,058)	(9,201)
Comprehensive income	\$(1,796)	\$(6,863)	\$(786)	\$4,565

Accompanying notes are integral to these condensed consolidated financial statements.

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
 (in thousands)
 (unaudited)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
BALANCE, December 31, 2014	\$475	\$442,585	\$(181,525)	\$ (6,545)	\$254,990
Net income	—	—	9,272	—	9,272
Other comprehensive loss	—	—	—	(10,058)	(10,058)
Equity-based compensation	—	9,583	—	—	9,583
Treasury stock purchase and retirement	(15)	(14,191)	—	—	(14,206)
Redemption of restricted shares, net	10	(1,961)	—	—	(1,951)
Income tax benefit from equity awards	—	44	—	—	44
BALANCE, September 30, 2015	\$470	\$436,060	\$(172,253)	\$ (16,603)	\$247,674

Accompanying notes are integral to these condensed consolidated financial statements.

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$9,272	\$13,766
Loss from discontinued operations, net of taxes	453	283
Net income from continuing operations	9,725	14,049
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	26,350	26,248
Amortization	12,399	7,549
Amortization of debt issuance costs	546	491
Net legal settlements and related expenses	(21)	) 172
Payments for legal settlements and related expenses	(116)	) (170)
Deferred income taxes	(1,598)	) 1,096
Restructuring costs	4,195	68
Payments for restructuring costs	(4,559)	) (1,816)
Asset impairments	151	4,938
Equity-based compensation	9,821	7,544
Excess tax benefits from share-based payment arrangements	(215)	) (448)
Provision for doubtful accounts	467	203
Acquisition/divestiture-related costs	6,021	5,838
Cash paid for acquisition/divestiture-related costs	(5,056)	) (5,411)
Changes in working capital, net of business acquisitions	(16,556)	) (6,460)
Net cash provided by operating activities from continuing operations	41,554	53,891
Net cash used in operating activities from discontinued operations	(508)	) (259)
Net cash provided by operating activities	41,046	53,632
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(27,997)	) (26,562)
Business acquisitions, net of cash acquired	(16,109)	) (55,517)
Other investing activities, net	(301)	) 2,046
Net cash used in investing activities from continuing operations	(44,407)	) (80,033)
Net cash used in investing activities from discontinued operations	—	—
Net cash used in investing activities	(44,407)	) (80,033)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments under borrowing arrangements	(81,971)	) (99,509)
Proceeds from borrowing arrangements	83,500	137,000
Payment of debt issuance costs	—	(1,060)
Payment of earn-out liability	(1,841)) —
Excess tax benefits of share-based payment arrangements	215	448
Purchase and retirement of treasury stock, at cost	(15,605)	) (25,844)
Exercise of stock options	—	963
Net cash (used in) provided by financing activities from continuing operations	(15,702)	) 11,998
Net cash (used in) provided by financing activities from discontinued operations	—	—
Net cash (used in) provided by financing activities	(15,702)) 11,998
Effect of exchange rate changes on cash and equivalents	(1,840)) (1,047)

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NET DECREASE IN CASH AND EQUIVALENTS	(20,903) (15,450)
CASH AND EQUIVALENTS, beginning of period	40,220	44,955	
CASH AND EQUIVALENTS, end of period	\$19,317	\$29,505	

Accompanying notes are integral to these condensed consolidated financial statements.

5

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

Premiere Global Services, Inc., or PGI, is the world's largest dedicated provider of collaboration software and services. We created iMeet®, an expanding portfolio of purpose-built applications designed to meet the daily collaboration and communications needs of business professionals, with solutions for web, video and audio conferencing, smart calendar management, webcasting, project management and sales acceleration. PGI's award-winning unified communications and collaboration, or UC&C, solutions help nearly 50,000 businesses in 25 countries in our three segments in North America, Europe and Asia Pacific.

On September 10, 2015, PGI announced that we entered into a definitive agreement to be acquired by funds managed or advised by Siris Capital Group, LLC, or Siris, in a transaction valued at approximately \$1.0 billion. Under the terms of the merger agreement, Siris will acquire all of the outstanding common stock of PGI for \$14.00 per share in cash. The agreement was unanimously approved by PGI's Board of Directors, which recommended that PGI's shareholders approve the merger agreement with Siris. The transaction is subject to customary closing conditions, including the receipt of shareholder approval. All required regulatory approvals for the transaction have been obtained. A special meeting of PGI's shareholders will be held on December 3, 2015 to consider and vote upon, among other matters, the proposal to approve the merger agreement. The transaction is not subject to a financing condition. PGI may be required to pay a termination fee of \$19.7 million if the merger agreement is terminated under certain circumstances. Upon completion of the acquisition, PGI will become wholly owned by an affiliate of Siris. If approved, the transaction is expected to close in the fourth quarter of 2015 or the first quarter of 2016. Costs incurred by PGI associated with this transaction in each of the three and nine months ended September 30, 2015 totaled approximately \$2.9 million. These costs have been recorded in "Acquisition/divestiture-related costs" in our condensed consolidated statements of operations.

Our unaudited condensed consolidated financial statements and related footnotes have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, for interim financial information and Rule 10-01 of Regulation S-X issued by the Securities and Exchange Commission, or SEC. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. We believe that these condensed consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) necessary to fairly present the results for interim periods shown. All significant intercompany accounts and transactions have been eliminated in consolidation. Our results of operations for the three and nine months ended September 30, 2015 are not indicative of the results that may be expected for the full fiscal year of 2015 or for any other interim period. The financial information presented herein should be read in conjunction with our annual report on Form 10-K for the year ended December 31, 2014, which includes information and disclosures not included in this quarterly report. Unless otherwise stated, current and prior period results in our condensed consolidated statements of operations and cash flows and these notes reflect our results from continuing operations and exclude the effect of discontinued operations. See Note 4 to our condensed consolidated financial statements for additional information and related disclosures regarding our discontinued operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash and Equivalents and Restricted Cash

Cash and equivalents consist of cash on hand. Cash balances that are legally restricted as to usage or withdrawal are separately included in "Prepaid expenses and other current assets" in our condensed consolidated balance sheets. At September 30, 2015 and December 31, 2014, we had \$0.7 million and \$0.4 million of restricted cash, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Included in accounts receivable at September 30, 2015 and December 31, 2014 was earned but unbilled revenue of \$8.1 million and \$5.1 million, respectively, which results from non-calendar month billing cycles and the one-month

lag time in billing of certain of our services. Earned but unbilled revenue is billed within 30 days. Provision for doubtful accounts was \$0.0 million for the three months ended September 30, 2015. Provision for doubtful accounts resulted in a benefit of \$0.2 million for the three months ended September 30, 2014. Provision for doubtful accounts was \$0.5 million and \$0.2 million for the nine months ended September 30, 2015 and 2014, respectively. Write-offs against the allowance for doubtful accounts were \$0.0 million and \$0.1 million for the three months ended September 30, 2015 and 2014, respectively. Write-offs against the allowance for doubtful

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

accounts were \$0.3 million and \$0.5 million for the nine months ended September 30, 2015 and 2014, respectively. Our allowance for doubtful accounts represents reserves for receivables that reduce accounts receivable to amounts expected to be collected. Management uses significant judgment in estimating uncollectible amounts. In estimating uncollectible amounts, management considers factors such as historical and anticipated customer payment performance and industry-specific economic conditions. Using these factors, management assigns reserves for uncollectible amounts by accounts receivable aging categories to specific customer accounts.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is recorded under the straight-line method over the estimated useful lives of the assets commencing when the assets are placed in service. The estimated useful lives are five to seven years for furniture and fixtures, two to five years for software and three to five years for computer servers and Internet and telecommunications equipment. Accumulated depreciation was \$201.3 million and \$177.8 million as of September 30, 2015 and December 31, 2014, respectively. The cost of installation of equipment is capitalized, as applicable. Amortization of assets recorded under capital leases is included in depreciation. Assets recorded under capital leases and leasehold improvements are depreciated over the shorter of their useful lives or the term of the related lease.

Research and Development

Research and development expenses primarily related to developing new services, features and enhancements to existing services that do not qualify for capitalization are expensed as incurred.

Software Development Costs

We capitalize certain costs incurred to develop software features used as part of our service offerings within "Property and Equipment, Net" in our condensed consolidated balance sheets. We capitalized approximately \$6.9 million and \$6.0 million of these costs for the three months ended September 30, 2015 and 2014, respectively, and \$18.4 million and \$15.9 million of these costs for the nine months ended September 30, 2015 and 2014, respectively. We amortize these capitalized costs on a straight-line basis over the estimated life of the related software, not to exceed five years. Depreciation expense recorded for the developed software was \$4.3 million and \$3.7 million for the three months ended September 30, 2015 and 2014, respectively, and \$12.1 million and \$10.9 million for the nine months ended September 30, 2015 and 2014, respectively.

Goodwill

Goodwill is subject to an impairment assessment performed at the reporting unit level at least annually and more frequently if indicators of impairment are identified. Our reporting units are our operating segments: North America, Europe and Asia Pacific. No impairment of goodwill was identified in the year ended December 31, 2014, the date of our most recent assessment. As of September 30, 2015, we are not aware of any events that would lead to an impairment; therefore, we do not believe that any of our reporting units are at risk of failing step one of the goodwill impairment test.

Investments

In March 2013, we invested \$1.0 million in a privately-held cloud solutions provider. This investment is accounted for under the cost method and is periodically assessed for other-than-temporary impairment using financial results, economic data and other quantitative and qualitative factors deemed applicable. In the event an other-than-temporary impairment occurs, an impairment loss equal to the difference between the cost basis and the fair value would be recognized.

Our cost method investment had a carrying value of \$1.0 million as of September 30, 2015 and was included as a component of "Other assets" in our condensed consolidated balance sheets for each period presented. The total carrying value of our cost method investments as of December 31, 2014 was \$1.1 million and was included as a component of "Other assets" in our condensed consolidated balance sheets for each period presented. Of this amount at December 31, 2014, \$1.0 million was related to our investment in a privately held cloud solutions provider.

In June 2011, we invested approximately \$1.0 million in a privately-held conferencing company. During December 2013, this investment changed from a historical cost investment to an available-for-sale asset when that company's shares began trading publicly on a foreign stock exchange. The fair value of this investment is based on the quoted price of our shares of such company on that foreign exchange at each measurement date. This investment is also subject to fluctuations in foreign currency exchange rates. Any related gains or losses related to the market value of the shares or fluctuations in foreign currency are excluded from

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

earnings until realized and reported as a component of "Accumulated other comprehensive loss" in our condensed consolidated balance sheets. In February 2014, we sold 50% of our investment for approximately \$1.0 million realizing a gain of \$0.5 million. This gain was reflected in "Other, net" in our condensed consolidated statements of operations. After the effects of foreign currency exchange rate fluctuations and adjustments to the quoted market value, the available-for-sale investment had a market value of \$1.1 million and \$0.3 million as of September 30, 2015 and December 31, 2014, respectively, and was included as a component of "Prepaid expenses and other current assets" in our condensed consolidated balance sheets.

Revenue Recognition

We recognize revenues when persuasive evidence of an arrangement exists, services have been rendered, the price to the buyer is fixed or determinable and collectability is reasonably assured. Revenues from continuing operations consist primarily of usage fees generally based on per minute methods.

Our UC&C software-as-a-service, or SaaS, revenue consists of five primary components associated with our next-generation collaboration solutions:

Subscription-based license fees associated with fixed-period minimum revenue commitments related to our iMeet® and GlobalMeet® products. These subscription-based fees are considered service arrangements per the authoritative guidance; accordingly, fees related to subscription agreements are recognized ratably over the contract term, which is typically 12 to 24 months;

Subscription- and event-based fees associated with commitments for our self-service webcasting and event streaming product and our team workspace and project management platform. Subscription-based fees are considered service arrangements per the authoritative guidance; accordingly, fees related to subscription agreements are recognized ratably over the contract term, which is typically 12 months, and event-based fees are recognized when the event occurs;

Per minute usage fees generated through the use of iMeet and GlobalMeet. These usage fees are generated if a customer contracts for the use of GlobalMeet on a per-minute basis, or if a customer elects to use either minutes in excess of the contractual amount allowed in a subscription agreement or of a type not included in the arrangement. This revenue is recognized as incurred by the customer, consistent with our other per minute usage fees;

Certain set-up fees, which are recognized ratably over the contract term or the expected customer life, whichever is longer; and

Revenue from our Internet Protocol, or IP, conferencing products, which deliver conferencing services across an enterprise customer's existing network infrastructure, thereby eliminating third-party variable network costs. This revenue is recognized as incurred by the customer, consistent with our other per minute usage fees.

Unbilled revenue consists of earned but unbilled revenue that results from non-calendar month billing cycles and the one-month lag time in billing related to certain of our services. Deferred revenue consists of payments made by customers in advance of the time services are rendered. Incremental direct costs incurred related to deferred revenue are deferred over the life of the contract and are recorded in "Prepaid expenses and other current assets" in our condensed consolidated balance sheets.

USF Charges

In accordance with Federal Communications Commission, or FCC, rules, we are required to contribute to the federal Universal Service Fund, or USF, for some of our solutions, which we recover from our applicable customers and remit to the Universal Service Administration Company, or USAC. We present the USF charges that we collect and remit on a net basis, with both collections from our customers and the amounts we remit, recorded in "Net revenue" in our condensed consolidated statements of operations. Had we presented USF charges on a gross basis, net revenue and cost of revenue would have been \$5.9 million higher for each of the three months ended September 30, 2015 and 2014 and \$18.6 million and \$19.2 million higher for the nine months ended September 30, 2015 and 2014, respectively.

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Foreign Currency Translation

The assets and liabilities of subsidiaries with a functional currency other than the U.S. Dollar are translated at rates of exchange existing at our condensed consolidated balance sheet dates. Revenue and expenses are translated at average rates of exchange prevailing during the year. The resulting translation adjustments are recorded in the "Accumulated other comprehensive loss" component of shareholders' equity. In addition, certain of our intercompany loans with foreign subsidiaries are considered to be permanently invested for the foreseeable future. Therefore, foreign currency exchange gains and losses related to these permanently invested balances are recorded in the "Accumulated other comprehensive loss" component of shareholders' equity in our condensed consolidated balance sheets.

Treasury Stock

All treasury stock transactions are recorded at cost, and all shares of treasury stock repurchased are retired. During the nine months ended September 30, 2015, we repurchased 1,529,354 shares of our common stock for \$14.2 million in the open market at an average price of \$9.29 per share, pursuant to our board-approved stock repurchase program. All such repurchases were made in the three months ended March 31, 2015. During the nine months ended September 30, 2014, we repurchased 1,901,498 shares of our common stock for \$24.6 million in the open market at an average price of \$12.93 per share, pursuant to our prior board-approved stock repurchase program.

During the nine months ended September 30, 2015 and 2014, we redeemed 182,218 and 112,266 shares, respectively, of our common stock to satisfy certain of our employees' tax withholding obligations due upon the vesting of their restricted stock grants and remitted \$1.4 million and \$1.2 million, respectively, to the Internal Revenue Service on our employees' behalf.

Preferred Stock

We have 5.0 million shares of authorized \$0.01 par value preferred stock, none of which are issued or outstanding. Under the terms of our amended and restated articles of incorporation, our board of directors is empowered to issue preferred stock without shareholder action.

Restructuring Costs

Restructuring reserves are based on certain estimates and judgments related to severance and exit costs, contractual obligations and related costs and are recorded as "Restructuring costs" in our condensed consolidated statements of operations. See Note 3 to our condensed consolidated financial statements for additional information and related disclosures regarding our restructuring costs.

Acquisition/divestiture-related Costs

Acquisition/divestiture-related costs reflected in our condensed consolidated statements of operations include, but are not limited to, transaction costs such as banking, legal, accounting and other professional fees directly related to acquisitions and divestitures, termination and related costs for transitional and certain other employees, integration-related professional fees and other post-business combination expenses associated with our acquisitions and divestitures.

The following table summarizes acquisition/divestiture-related costs incurred during the three and nine months ended September 30, 2015 and 2014 (in thousands):

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Divestiture-related costs				
Professional fees	\$2,854	\$—	\$2,854	\$—
Acquisition-related costs				
Professional fees	266	1,136	637	2,849
Release of indemnification asset	612	1,472	612	1,472
Integration-related costs	416	868	2,976	2,846
Earn-out adjustments, net	(1,727)	(1,329)	(1,058)	(1,329)
Total acquisition/divestiture-related costs	\$2,421	\$2,147	\$6,021	\$5,838

Included in Integration-related costs above in 2015 is a lease abandonment charge of approximately \$0.8 million related to a facility in the United Kingdom that will no longer be utilized due to recent acquisition activities in that country. For further discussion of these costs, see Note 10 to our condensed consolidated financial statements.

Excise and Sales Tax

Some of our solutions may be subject to telecommunications excise tax and sales taxes in states where we have not collected and remitted such taxes from our customers. During the nine months ended September 30, 2015 and 2014, we did not make any material payments related to the settlement of these state and excise sales tax contingencies.

We have reserves for certain state excise and sales tax contingencies based on the likelihood of obligation. These contingencies are included in “Accrued taxes, other than income taxes” in our condensed consolidated balance sheets. We had reserved approximately \$10.7 million and \$9.9 million at each of September 30, 2015 and December 31, 2014, respectively, for certain state excise and sales tax contingencies and interest. We believe we have appropriately accrued for these contingencies. In the event that actual results differ from these reserves or new information becomes available, we may need to make adjustments which could materially impact our financial condition and results of operations. In addition, states may disagree with our method of assessing and remitting such taxes or additional states may subject us to inquiries regarding such taxes.

Income Taxes

Income taxes are determined under the asset and liability method as required by Accounting Standards Codification, or ASC, 740, “Income Taxes.” Under this method, deferred tax assets and liabilities are recognized based upon the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary items are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized. To the extent we establish a valuation allowance or increase this allowance in a period, an expense is recorded within the income tax provision in our condensed consolidated statements of operations. Under current accounting principles, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority.

Income tax (benefit) expense for the three and nine months ended September 30, 2015 was \$(0.6) million and \$1.0 million, respectively, compared to \$(0.4) million and \$5.2 million for the three and nine months ended September 30, 2014, respectively. The decrease in income tax expense during the nine months ended September 30, 2015 compared to the same period in the prior year is primarily related to the decrease in income from continuing operations before

income taxes for the three and nine months ended September 30, 2015 compared to the same periods of 2014. We had \$7.4 million and \$8.2 million of unrecognized tax benefits as of September 30, 2015 and December 31, 2014, respectively. Upon resolution, \$5.9 million and \$6.9 million of unrecognized tax benefits would affect our annual effective tax rate as of September 30, 2015 and December 31, 2014, respectively. The unrecognized tax benefits are included in "Accrued expenses" under "Long-Term Liabilities" in our condensed consolidated balance sheets.

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Our valuation allowance at September 30, 2015 primarily relates to certain foreign and state net operating loss and capital loss carryforwards that, in the opinion of management, are more likely than not to expire unutilized. During the nine months ended September 30, 2015, the net change in our valuation allowance was \$0.1 million.

New Accounting Pronouncements

In September 2015, the Financial Accounting Standards Board, or FASB, issued ASU No. 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments," which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Under this ASU, acquirers must recognize measurement-period adjustments in the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. This guidance is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. Accordingly, we plan to adopt the provisions of this update at the beginning of fiscal year 2017, and we are currently assessing the impact on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs." This topic converges the guidance within U.S. GAAP and IFRS. The new standard intends to simplify the presentation of debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, versus recording the costs as a prepaid expense in other assets that is amortized. The new standard will more closely align the presentation of debt issuance costs under U.S. GAAP with the presentation under comparable IFRS. In August 2015, the FASB issued ASU 2015-15, "Interest - Imputation of Interest" (Subtopic 835-30) to address the measurement of debt issuance costs associated with line-of-credit arrangements. ASU 2015-15 states that an entity can defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless if there are outstanding borrowings on the line-of-credit arrangement. The new guidance is effective for annual reporting periods beginning after December 15, 2015, including interim reporting periods within that reporting period and early application is permitted. Accordingly, we plan to adopt the provisions of this new accounting standard at the beginning of fiscal year 2016. As this standard impacts only the classification of certain amounts within the consolidated balance sheets, we do not expect this ASU to have a material impact on our consolidated financial statements.

In April 2015, the FASB issued Accounting Standard Update, or ASU, 2015-03, "Simplifying the Presentation of Debt Issuance Costs." The amendment modifies the presentation of unamortized debt issuance costs on our condensed consolidated balance sheets. Under the new guidance, we will present such amounts as a direct deduction from the face amount of the debt rather than as an asset. Amortization of the debt issuance costs will continue to be reported as interest expense. The guidance will be effective for us beginning January 1, 2016. Early adoption is permitted. The new guidance must be applied retrospectively to each prior period presented. We do not expect the impact of adopting this guidance to be material to our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The SEC has indicated that it plans to review and update the revenue recognition guidance in Staff Accounting Bulletin Topic 13, or SAB Topic 13, when the ASU is issued. The extent to which the ASU's guidance will affect us as it relates to revenue recognition will depend on whether the SEC removes or amends the guidance in SAB Topic 13 to be consistent with the new revenue standard. In addition, the ASU provides guidance on accounting for certain revenue-related costs

including, but not limited to, when to capitalize costs associated with obtaining and fulfilling a contract. ASU 2014-09 provides companies with two implementation methods. Companies can choose to apply the standard retrospectively to each prior reporting period presented (full retrospective application) or retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application (modified retrospective application). Originally this guidance was to be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. In August 2015, the FASB deferred the effective date of ASU 2014-09 by one year and early adoption would now be permitted, but not before the original publication effective date. We are in the process of evaluating the impact that the adoption of the standard will have on our consolidated financial position, results of operations, and related disclosures.

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

3. RESTRUCTURING COSTS

Below is a reconciliation of the beginning and ending liability balances related to our restructuring efforts for the nine months ended September 30, 2015. The expenses associated with these activities are reflected in “Restructuring costs” in our condensed consolidated statements of operations. Cash payments for restructuring costs from continuing operations were \$4.6 million and \$1.8 million during the nine months ended September 30, 2015 and 2014, respectively. The components included in the reconciliation of the liability balances are as follows (in thousands):

	Balance at December 31, 2014	Provisions	Cash Payments	Non-cash ⁽¹⁾	Balance at September 30, 2015
Accrued restructuring costs:					
Severance and exit costs	\$842	\$3,816	\$(4,086)	) \$(164	) \$408
Contractual obligations	116	379	(473	) 1	23
Total restructuring costs	\$958	\$4,195	\$(4,559)	) \$(163	) \$431

(1) Non-cash includes the impact of currency fluctuations.

Realignment of Workforce – 2015

For the 2015 alignment, we recorded restructuring expenses of \$4.3 million during the nine months ended September 30, 2015. Of these expenses, \$3.9 million relate to severance costs. We eliminated approximately 90 positions in an effort to realign our international operations and ensure that our organizational structure is optimally aligned to take full advantage of our market opportunities. We also recorded \$0.4 million in contract termination costs associated with this realignment. On a segment basis, these restructuring costs totaled \$1.5 million in North America, \$1.0 million in Europe and \$1.8 million in Asia Pacific. Our reserve for the 2015 realignment was \$0.3 million at September 30, 2015, which we anticipate will be paid within one year.

Realignment of Workforce – 2014

During 2014, we eliminated approximately 15 positions in an effort to consolidate and streamline various functions of our workforce. To date, we have recorded \$0.5 million of severance costs, including a \$(0.1) million adjustment recorded in 2015, and \$0.1 million in contract termination costs associated with this realignment. On a segment basis, these restructuring costs totaled \$0.1 million in North America and \$0.5 million in Europe. There is no remaining reserve for the 2014 realignment at September 30, 2015.

Realignment of Workforce – 2013

During 2013, we eliminated approximately 60 positions in an effort to consolidate and streamline various functions of our workforce. To date, we have recorded \$3.3 million of severance costs and \$0.2 million in contract termination costs associated with this realignment. On a segment basis, these restructuring costs totaled \$1.3 million in North America, \$2.0 million in Europe and \$0.2 million in Asia Pacific. Our reserve for the 2013 realignment was \$0.1 million at September 30, 2015, which we anticipate will be paid within one year.

4. DISCONTINUED OPERATIONS

The following amounts associated with our discontinued businesses have been segregated from continuing operations and are reflected as discontinued operations for the three and nine months ended September 30, 2015 and 2014 (in thousands):

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating loss	\$(118)	\$(93)	\$(508)	\$(259)
Interest expense	(66)	(62)	(196)	(182)
Income tax benefit	65	55	251	158
Loss from discontinued operations, net of taxes	\$(119)	\$(100)	\$(453)	\$(283)

12

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The results of discontinued operations for the three and nine months ended September 30, 2015 and 2014 reflect ongoing costs associated with the state telecommunications excise tax and state corporate tax matters set forth in Note 11. We have agreed to indemnify the purchaser of our PGiSend messaging business, which was sold in 2010, for these pre-closing, residual liabilities.

5. GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill by reportable business segments from December 31, 2014 to September 30, 2015 (in thousands):

	North America	Europe	Asia Pacific	Total
Goodwill:				
Gross value at December 31, 2014	\$428,511	\$44,433	\$5,895	\$478,839
Accumulated impairment losses	(92,423)	—	—	(92,423)
Carrying value at December 31, 2014	336,088	44,433	5,895	386,416
Modality acquisition	2,166	30,548	177	32,891
Adjustments to prior acquisitions	(2,999)	—	—	(2,999)
Impact of currency fluctuations	(2,619)	(2,877)	(723)	(6,219)
Carrying value at September 30, 2015	\$332,636	\$72,104	\$5,349	\$410,089

Goodwill is not subject to amortization but is subject to periodic reviews for impairment. Goodwill due to our recent acquisitions has been determined on a consolidated basis and preliminarily allocated to reporting units. A formal allocation to reporting units has not yet been completed. Refer to Note 10 to our condensed consolidated financial statements for additional information on goodwill acquired.

Intangible Assets

Summarized below are the carrying value and accumulated amortization, if applicable, by intangible asset class (in thousands):

	September 30, 2015			December 31, 2014		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Intangible assets:						
Customer lists	\$139,720	\$ (75,441)	\$ 64,279	\$138,149	\$ (69,904)	\$ 68,245
Non-compete agreements	14,717	(8,513)	6,204	13,170	(6,891)	6,279
Developed technology	23,498	(4,285)	19,213	23,000	(1,843)	21,157
Other	9,985	(3,270)	6,715	8,809	(2,140)	6,669
Total other intangible assets	\$187,920	\$ (91,509)	\$ 96,411	\$183,128	\$ (80,778)	\$ 102,350

We record fees incurred in connection with our patents and trademarks in "Prepaid expenses and other current assets" in our condensed consolidated balance sheets until the patents and trademarks are granted or abandoned. We had \$0.8 million and \$1.0 million of these assets recorded as of September 30, 2015 and December 31, 2014, respectively.

Intangible assets include \$94.9 million of net intangible assets at September 30, 2015 that are subject to amortization. Intangible assets that are subject to amortization are amortized over an estimated useful life between one and 20 years. Intangible assets with indefinite lives that are not subject to amortization include \$0.4 million of domain names and \$1.1 million of trademarks.

Estimated annual amortization expense of our other intangible assets for the next five years is as follows (in thousands):

13

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Year	Estimated Annual Amortization Expense
2015	\$ 16,461
2016	\$ 16,107
2017	\$ 15,135
2018	\$ 13,257
2019	\$ 11,453

6. INDEBTEDNESS

Long-term debt and capital lease obligations at September 30, 2015 and December 31, 2014 are as follows (in thousands):

	September 30, 2015	December 31, 2014
Borrowings on credit facility	\$334,282	\$330,895
Capital lease obligations	3,728	3,901
Subtotal	338,010	334,796
Less current portion	(2,199)	(1,971)
Total long-term debt and capital lease obligations	\$335,811	\$332,825

Our credit facility consists of a \$350.0 million revolver, a \$150.0 million Term A loan and an uncommitted \$75.0 million accordion feature, which allows for additional credit commitments up to a maximum of \$575.0 million, subject to the credit facility terms and conditions. Our subsidiary, American Teleconferencing Services, Ltd., or ATS, is the borrower under our credit facility, with PGI and certain of our material domestic subsidiaries guaranteeing the obligations of ATS under the credit facility, which is secured by substantially all of our assets and the assets of our material domestic subsidiaries. In addition, we have pledged as collateral all of the issued and outstanding stock of our material domestic subsidiaries and 65% of the issued and outstanding stock of our material foreign subsidiaries. Proceeds drawn under our credit facility can be used for working capital, capital expenditures, acquisitions and other general corporate purposes. The annual interest rate applicable to borrowings under our credit facility, at our option, is (1) the base rate (the highest of the federal funds rate plus one-half of one percent, the prime rate or one-month LIBOR plus one and one-half percent) plus an applicable percentage that varies based on our consolidated leverage ratio at quarter end, or (2) LIBOR (or, if applicable, the rate designated in the credit facility for certain foreign currencies) for one, two, three or six months adjusted for a percentage that represents the Federal Reserve Board's reserve percentage plus an applicable percentage that varies based on our consolidated leverage ratio at quarter end. The applicable percentages for base rate loans and LIBOR loans were 1.50% and 2.50%, respectively, at September 30, 2015 under our credit facility. Our interest rate on LIBOR loans, which comprised materially all of our outstanding borrowings, as of September 30, 2015, was 2.74%. In addition, we pay a commitment fee on the unused portion of our credit facility that is based on our consolidated leverage ratio at quarter end. As of September 30, 2015, the rate applied to the unused portion of our credit facility was 0.40%. Our credit facility contains customary terms and restrictive covenants, including financial covenants. At September 30, 2015, we had \$334.3 million of borrowings and \$3.2 million in letters of credit outstanding under our credit facility.

7. EQUITY-BASED COMPENSATION

We may issue stock options, stock appreciation rights, restricted stock awards, restricted stock units and other stock-based awards to employees, officers, directors and consultants under our 2014 incentive plan, or 2014 plan, and our amended and restated 2000 directors stock plan, as amended, or 2000 directors stock plan. We issue both service and performance-based restricted stock awards and units to employees. Performance-based restricted stock awards and

units are issued to certain key executives and other employees and vest based on financial performance metrics over the requisite service period. The compensation committee of our board of directors administers these stock plans. A total of 4,959,944 and 1,900,000 shares are authorized for issuance under our 2014 plan and 2000 directors stock plan, respectively.

Equity-based compensation expense is measured at the grant date, based on the fair value of the award, and is recognized over the vesting periods. Included in the expense amounts are employer-related costs for taxes incurred upon vesting of awards which do not impact "Additional paid-in capital" in our condensed consolidated balance sheets. The following table presents total

14

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

equity-based compensation expense for restricted stock awards and non-qualified stock options included in the line items below in our condensed consolidated statements of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Cost of revenue	\$73	\$144	\$339	\$482
Selling and marketing	1,093	594	2,460	2,011
Research and development	327	181	773	481
General and administrative	2,263	1,741	6,249	4,570
Equity-based compensation expense	\$3,756	\$2,660	\$9,821	\$7,544
Restricted Stock				

The fair value of restricted stock awards is the market value of the stock on the date of grant. The effect of vesting conditions that apply only during the requisite service period is reflected by recognizing compensation cost only for the restricted stock awards for which the requisite service is rendered. As a result, we are required to estimate an expected forfeiture rate, as well as the probability that performance conditions that affect the vesting of certain stock-based awards will be achieved, and only recognize expense for those shares expected to vest. We estimate that forfeiture rate based on historical experience of our stock-based awards that are granted, exercised and voluntarily cancelled. If our actual forfeiture rate is materially different from our estimate, the stock-based compensation expense could be significantly different from what we have recorded in the current period. Our estimated forfeiture rate for restricted stock awards is 3.0%.

The following table summarizes the activity of unvested restricted stock awards under our stock plans from December 31, 2014 to September 30, 2015:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2014	2,297,652	\$10.97
Granted	1,262,180	9.87
Vested/released	(687,250)	) 10.36
Forfeited	(135,308)	) 10.46
Unvested at September 30, 2015	2,737,274	\$10.65

Included in the table above are 166,250 and 134,591 restricted stock units outstanding at September 30, 2015 and December 31, 2014, respectively. Restricted stock units represent a right to receive shares of our common stock in the future, subject to attainment of service-based and/or performance-based vesting criteria. Shares underlying restricted stock units are not outstanding and instead convert to shares of our common stock if and when the vesting criteria are met.

The weighted-average grant date fair value of restricted stock granted during the nine months ended September 30, 2015 and 2014 was \$9.87 and \$12.23, respectively. The aggregate fair value of restricted stock vested was \$1.9 million and \$7.3 million for the three and nine months ended September 30, 2015, respectively, and \$1.0 million and \$6.2 million for the three and nine months ended September 30, 2014, respectively. During the nine months ended September 30, 2015 and the year ended December 31, 2014, we issued 506,576 and 626,928 shares, respectively, of our common stock relating to the vesting of restricted stock. As of September 30, 2015, we had \$19.6 million of unvested restricted stock, which we will record in our condensed consolidated statements of operations over a weighted-average recognition period of approximately 1.9 years.

Stock Options

The fair value of stock options is estimated at the date of grant with the Black-Scholes option pricing model using various assumptions such as expected life, volatility, risk-free interest rate, dividend yield and forfeiture rates. The

expected life of stock-based awards granted represents the period of time that they are expected to be outstanding and is estimated using historical data. Using the Black-Scholes option valuation model, we estimate the volatility of our common stock at the date of grant based on the historical volatility of our common stock. We base the risk-free interest rate used in the Black-Scholes option valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term equal to the expected life of the award. We have not paid any cash dividends on our common stock, and we do not anticipate paying any cash dividends

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

in the foreseeable future. Consequently, we use an expected dividend yield of zero in the Black-Scholes option valuation model. Finally, we use historical data to estimate pre-vesting option forfeitures. Stock-based compensation is recorded for only those awards that are expected to vest. No stock options have been issued since the year ended December 31, 2005.

The following table summarizes the stock options activity under our stock plans from December 31, 2014 to September 30, 2015:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Options outstanding at December 31, 2014	22,334	\$ 11.30		
Granted	—	—		
Exercised	—	—		
Expired	(22,334)	11.30		
Options outstanding and exercisable at September 30, 2015	—	\$—	—	\$—

As of September 30, 2015, we had no remaining unvested stock options to be recorded as an expense in our condensed consolidated statements of operations for future periods.

8. EARNINGS PER SHARE

Basic and Diluted Earnings Per Share

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period. The weighted-average number of common shares outstanding does not include any potentially dilutive securities or any unvested restricted shares of common stock. These unvested restricted shares, although classified as issued and outstanding at September 30, 2015 and 2014, are considered contingently returnable until the restrictions lapse and will not be included in the basic earnings per share calculation until the shares are vested. Unvested shares of our restricted stock do not contain nonforfeitable rights to dividends and dividend equivalents.

Diluted earnings per share includes the effect of all potentially dilutive securities on earnings per share. Our unvested restricted shares, restricted stock units and stock options are potentially dilutive securities. The difference between basic and diluted weighted-average shares outstanding was the dilutive effect of unvested restricted shares, restricted stock units and stock options for the three and nine months ended September 30, 2015 and 2014.

The following table represents a reconciliation of the basic and diluted earnings per share from continuing operations, or EPS, computations contained in our condensed consolidated financial statements (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income from continuing operations	\$3,458	\$2,646	\$9,725	\$14,049
Weighted-average shares outstanding - basic and diluted:				
Weighted-average shares outstanding - basic	44,133	45,162	44,365	45,797
Add effect of dilutive securities:				
Unvested restricted stock	869	730	663	674
Stock options	—	6	—	14
Weighted-average shares outstanding - diluted	45,002	45,898	45,028	46,485
Basic net income per share from continuing operations	\$0.08	\$0.06	\$0.22	\$0.31

Diluted net income per share from continuing operations	\$0.08	\$0.06	\$0.22	\$0.30
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The weighted-average diluted common shares outstanding for the three and nine months ended September 30, 2015 excludes the effect of 0 and 102,876 restricted stock and out-of-the-money options, respectively, because their effect would be anti-dilutive. The weighted-average diluted common shares outstanding for the three and nine months ended September 30, 2014

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

excludes the effect of 0 and 9,310 restricted stock and out-of-the-money options, respectively, because their effect would be anti-dilutive.

9. FAIR VALUE MEASUREMENTS

The fair value amounts for cash and equivalents, accounts receivable, net, accounts payable and accrued expenses approximate carrying amounts due to the short maturities of these instruments. The estimated fair value of our long-term debt and capital lease obligations at each of September 30, 2015 and December 31, 2014 was based on expected future payments discounted using current interest rates offered to us on debt of the same remaining maturity and characteristics, including credit quality, and did not vary materially from carrying value.

Fair value is defined as an exit price representing the amount that would be received to sell an asset or paid to transfer a liability at the measurement date in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. ASC 820, "Fair Value Measurements and Disclosures," establishes a three-tier fair value hierarchy as a basis for such assumptions which prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Unobservable inputs for the asset or liability in which there is little or no market data.

Recurring Fair Value Measurement

The fair value of our investment in a conferencing company, which is trading publicly on a foreign stock exchange, was based on the quoted price of such shares on that foreign exchange at the measurement date of September 30, 2015; therefore, the fair value of this investment was based on Level 1 inputs. The balance of this investment was included as a component of "Prepaid expenses and other current assets" in our condensed consolidated balance sheets at each of September 30, 2015 and December 31, 2014.

As further discussed in Note 10, we recorded a contingent consideration liability in connection with our acquisitions of TalkPoint Holdings, L.L.C., or TalkPoint, and Central Desktop, Inc., or Central Desktop, and Modality Systems Limited, or Modality. The fair value of the liabilities were estimated using internal forecasts with inputs that are not observable in the market, and thus represent Level 3 fair value measurements. The inputs in the Level 3 measurements are not supported by market activity, as they are probability assessments of expected future sales related to our acquisitions of TalkPoint, Central Desktop and Modality during the earn-out period.

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

We have segregated all financial assets and liabilities that are measured at fair value on a recurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below (in thousands):

	September 30, 2015				December 31, 2014			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Current Assets:								
Available-for-sale securities	\$1,053	\$1,053	\$—	\$—	\$327	\$327	\$—	\$—
Total	\$1,053	\$1,053	\$—	\$—	\$327	\$327	\$—	\$—

	September 30, 2015				December 31, 2014			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Current Liabilities:								
Earn-out liability	\$15,817	\$—	\$—	\$15,817	\$4,727	\$—	\$—	\$4,727
Long-term Liabilities:								
Earn-out liability	\$15,430	\$—	\$—	\$15,430	\$6,545	\$—	\$—	\$6,545
Total	\$31,247	\$—	\$—	\$31,247	\$11,272	\$—	\$—	\$11,272

10. ACQUISITIONS

In accordance with ASC Topic 805, “Business Combinations,” we account for acquisitions by applying the acquisition method of accounting. The acquisition method of accounting requires, among other things, that the assets acquired and liabilities assumed in a business combination be measured at their fair values as of the closing date of the acquisition. None of our acquisitions presented below were significant, individually or in the aggregate, under Rule 3-05 and Article 11 of SEC Regulation S-X.

Central Desktop

On October 16, 2014, we completed the acquisition of Central Desktop, a leading cloud-based team workspace platform, by acquiring all of Central Desktop’s outstanding stock via merger. The following table summarizes the consideration paid for Central Desktop (in thousands):

Negotiated sales price	\$25,000
Working capital and other adjustments	76
Purchase price	\$25,076

In addition, the Central Desktop merger agreement provides for a potential earn-out payment to the sellers based on its annual revenue growth in 2015. We funded the acquisition through borrowings under our credit facility and cash and equivalents on hand. We incurred \$0.4 million of direct transaction costs, which are recorded in acquisition/divestiture-related costs for the year ended December 31, 2014. Central Desktop’s financial results since its acquisition date are included in our North America segment.

TalkPoint

On September 19, 2014, we completed the acquisition of TalkPoint, a leading provider of webcasting software and services, by acquiring all of TalkPoint’s outstanding equity interests. The following table summarizes the consideration paid for TalkPoint (in thousands):

Negotiated sales price	\$56,500	
Working capital and other adjustments	(673))
Purchase price	\$55,827	

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

In addition, the TalkPoint purchase agreement provides for a potential earn-out payment to the sellers based on its annual revenue growth in 2015. We funded the acquisition through borrowings under our credit facility and cash and equivalents on hand. We incurred \$0.4 million of direct transaction costs, which are recorded in acquisition/divestiture-related costs for the year ended December 31, 2014. TalkPoint's financial results since its acquisition date are included primarily in our North America segment.

Valuation of Assets and Liabilities

The fair values of the net tangible and intangible assets acquired and liabilities assumed in connection with these acquisitions have been recognized in our condensed consolidated balance sheets based upon their values at their respective acquisition dates, as set forth below. The excess of the purchase price over the net tangible and intangible assets was recorded as goodwill. The factors contributing to the recognition of goodwill are based on strategic and synergistic benefits that are expected to be realized from an expanded global customer base, including opportunities for us to sell our UC&C SaaS solutions to those customers, and opportunities to improve performance by leveraging best practices, operational expertise and global scale. The recognized goodwill for Central Desktop is not expected to be deductible for income tax purposes.

The final valuation of the assets acquired and liabilities assumed for TalkPoint and Central Desktop are as follows (in thousands):

	Central Desktop Valuation	TalkPoint Valuation
Cash and equivalents	\$ 193	\$ 2
Other current assets	962	3,340
Property and equipment	301	303
Intangible assets	9,200	28,400
Deferred income taxes, net	4,432	—
Other assets	64	1,578
Total assets acquired	15,152	33,623
Current liabilities	5,749	1,448
Long-term liabilities	—	8,006
Deferred income taxes, net	3,474	—
Total liabilities assumed	9,223	9,454
Total identifiable net assets	5,929	24,169
Goodwill	19,147	31,658
Total net assets	\$ 25,076	\$ 55,827

Valuation Adjustments for Central Desktop

We performed a valuation of the assets and liabilities of Central Desktop at its acquisition date. Adjustments as a result of the valuation and the bases for their determination are summarized as follows:

Developed technology - Developed technology was the primary asset acquired in the Central Desktop acquisition. We valued developed technology using the relief from royalty approach. The developed technology was valued at \$6.0 million for the acquisition under this approach and will be amortized over seven years.

Customer relationships - Customer relationships were the secondary asset acquired in the Central Desktop acquisition. We valued customer relationships using the income approach, specifically the multi-period excess earnings method. The customer relationships were valued at \$1.1 million for the acquisition under this approach and will be amortized over ten years.

Non-compete agreements - We valued non-compete agreements using the income approach, specifically based on the negative impact on the business that the individuals could have on revenue. The non-compete agreements were valued at \$1.8 million for the Central Desktop acquisition under this approach and will be amortized over five years.

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Trade names - We valued trade names using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the trade names, the multi-period excess earnings approach values the intangible asset at the present value of the incremental after-tax cash flows attributable only to the trade names after applying a royalty rate to the overall revenue. The trade names were valued at \$0.3 million for the Central Desktop acquisition under this approach and will be amortized over two years.

Earn-out - We recorded a contingent consideration liability of approximately \$2.9 million as of the acquisition date related to the Central Desktop earn-out, included in "Accrued expenses" under "Current Liabilities" in our condensed consolidated balance sheet. The fair value of the liability was estimated using internal forecasts with inputs that are not observable in the market, and thus represents a Level 3 fair value measurement, as defined in Note 9. The inputs in the Level 3 measurement are not supported by market activity, as they are probability assessments of expected future sales related to our acquisition of Central Desktop during the earn-out period. The earn-out will be re-measured quarterly, with the change being reflected as "Acquisition/divestiture-related costs" in our condensed consolidated statements of operations.

Valuation Adjustments for Talkpoint

We finalized the valuation of the assets and liabilities of TalkPoint at its acquisition date. Significant adjustments as a result of the valuation and the bases for their determination are summarized as follows:

Indemnification asset - We recognized an indemnification asset of \$1.1 million in connection with the TalkPoint acquisition, which is included above in "Other assets." The indemnification asset represents reimbursements we reasonably expect to receive primarily from escrow funds currently held by a financial institution pursuant to the TalkPoint purchase agreement. We recorded offsetting net contingent tax liabilities of \$1.1 million in connection with the recognition of the indemnification asset. The tax contingencies are included in "Accrued expenses" under "Long-Term Liabilities" in our condensed consolidated balance sheets.

Developed technology - Developed technology was the primary asset acquired in the TalkPoint acquisition. We valued developed technology using the relief from royalty approach. The developed technology was valued at \$16.0 million for the acquisition under this approach which will be amortized over seven years.

Customer relationships - Customer relationships were the secondary asset acquired in the TalkPoint acquisition. We valued customer relationships using the income approach, specifically the multi-period excess earnings method. The customer relationships were valued at \$9.5 million for the acquisition under this approach and will be amortized over ten years.

Non-compete agreements - We valued non-compete agreements using the income approach, specifically based on the negative impact on the business that the individuals could have on revenue. The non-compete agreements were valued at \$2.2 million for the TalkPoint acquisition under this approach and will be amortized over five years.

Trade names - We valued trade names using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the trade names, the multi-period excess earnings approach values the intangible asset at the present value of the incremental after-tax cash flows attributable only to the trade names after applying a royalty rate to the overall revenues. The trade names were valued at \$0.7 million for the TalkPoint

acquisition under this approach and will be amortized over two years.

Earn-out - We recorded a contingent consideration liability of approximately \$6.4 million as of the acquisition date related to the Talkpoint earn-out, included in "Accrued expenses" under "Long-Term Liabilities" in our condensed consolidated balance sheets. The fair value of the liability was estimated using internal forecasts with inputs that are not observable in the market, and thus represents a Level 3 fair value measurement, as defined in Note 9. The inputs in the Level 3 measurement are not supported by market activity, as they are probability assessments of expected future sales related to our acquisition of TalkPoint during the earn-out period. The earn-out will be re-measured quarterly, with the change being reflected as "Acquisition/divestiture-related costs" in our condensed consolidated statements of operations.

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Other Acquisitions

Modality

On February 5, 2015, we acquired substantially all of the outstanding equity interests of Modality, a dedicated Microsoft Skype for Business services and software firm, for \$17.5 million, subject to a net working capital adjustment. We funded the acquisition through borrowings under our credit facility and incurred \$0.3 million of direct transaction costs, which are recorded in acquisition/divestiture-related costs for the nine months ended September 30, 2015. In addition, the Modality purchase agreement provides for potential earn-out payments to the sellers based on its annual revenue growth in 2015, 2016 and 2017. A total of \$23.1 million was recorded at the acquisition date to reflect the fair value of the earn-out payments. The earn-out will be re-measured quarterly, with the change being reflected as "Acquisition/divestiture-related costs" in our condensed consolidated statements of operations.

Modality's financial results since its acquisition date are included primarily in our Europe segment. Our consolidated results of operations include revenue of \$9.8 million and a net loss of \$1.9 million from Modality for the nine months ended September 30, 2015. The primary assets acquired as part of the Modality acquisition were customer relationships totaling \$4.6 million and other intangibles totaling \$3.2 million. The recognized goodwill for Modality is not expected to be deductible for income tax purposes.

11. COMMITMENT AND CONTINGENCIES

Litigation and Claims

In connection with the sale of our PGiSend messaging business in October 2010, we agreed to indemnify the purchaser, EasyLink (subsequently acquired by Open Text Corporation), for the tax-related matters described below. We have accrued an estimated loss for these matters totaling an aggregate of approximately \$3.9 million. The possible loss or range of loss resulting from these matters, if any, in excess of the amounts accrued is inherently unpredictable and involves significant uncertainty and negotiations over an extended time period. Consequently, no estimate can be made of any possible loss or range of loss in excess of the above-mentioned accrual.

State Telecommunications Excise Tax Matter

On March 19, 2013, we received notice of deficiencies from the New York State Department of Taxation and Finance, dated March 15, 2013, for telecommunications franchise and gross excise taxes assessed on our former subsidiary, Xpedite Systems, LLC, or Xpedite, for the tax years ended December 31, 2001 - 2006. The assessments totaled approximately \$4.3 million, including approximately \$1.9 million in taxes and \$2.4 million in accrued interest and penalties, on which interest continues to accrue. We believe we are adequately reserved for this matter. We are vigorously contesting these assessments. However, if the New York State Department of Taxation's assessment is sustained, the amount assessed could result in a material adjustment to our consolidated financial statements which would impact our cash flows and results of operations. We agreed to indemnify EasyLink for this matter in connection with our PGiSend sale.

State Corporate Tax Matter

On August 6, 2010, our former subsidiary, Xpedite, received a final determination from the New Jersey Division of Taxation upholding a corporate business tax audit assessment for the tax years ended December 31, 1998 through December 31, 2000 and December 31, 2002. The assessment totaled approximately \$6.2 million as of August 15, 2010, including approximately \$2.4 million in taxes and \$3.8 million in accrued interest and penalties, on which interest continues to accrue. The assessment relates to the sourcing of Xpedite's receipts for purposes of determining

the amount of its income that is properly attributable to, and therefore taxable by, New Jersey. We are vigorously contesting the determination through a timely appeal that we filed with the Tax Court of New Jersey on November 2, 2010. On April 24, 2015, we filed a motion for summary judgment with the Tax Court of New Jersey which was denied on August 25, 2015. We filed a motion for reconsideration on September 14, 2015. We believe we are adequately reserved for this matter. However, if the New Jersey Division of Taxation's final determination is sustained, the amount assessed could result in a material adjustment to our consolidated financial statements which would impact our cash flows and results of operations. We agreed to indemnify EasyLink for this matter in connection with our PGiSend sale.

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

USF Contribution Matter

Our subsidiary, ATS, received a letter from the USAC dated August 21, 2013, rejecting ATS' revised amended 2012 Annual Telecommunications Worksheet on Form 499-A as not timely filed. On October 29, 2013, ATS filed an appeal to USAC's decision with the FCC, as it subjects ATS to true-up invoices related to USF contributions. ATS incorrectly reported foreign-to-foreign revenues within its amended 2012 Form 499-A, and, as a result, those revenues (and some newly-identified foreign revenues) were incorrectly subject to USF contribution. On June 9, 2015, the Deputy Chief of the Wireline Competition Bureau (who has the delegated power to handle routine USF appeals) denied our FCC appeal. We are vigorously contesting this decision through an Application for Review of the Decision filed on July 9, 2015 asking the full Commission to review the Deputy Chief's determination. If the Deputy Chief's determination is sustained, the amount could result in a material adjustment to our consolidated financial statements which could impact our results of operations.

Other Litigation and Claims

We are involved in other litigation matters and are subject to claims that we do not believe will have a material adverse effect upon our business, financial condition or results of operations, although we can offer no assurance as to the ultimate outcome of any such matters.

12. SEGMENT REPORTING

We manage our operations on a geographic regional basis, with segments in North America, Europe and Asia Pacific. The accounting policies as described in the summary of significant accounting policies are applied consistently across our segments. Revenue from our North America segment is recognized in the United States and Canada, and revenue from our Europe segment is primarily recognized in Ireland and the United Kingdom. We present "Operating income" for each of our segments as a measure of segment profit. Our chief operating decision makers use operating income without the impact of income taxes and other non-operating items internally as a means of analyzing segment performance and believe that it more clearly represents our segment profit on an ongoing basis. No single customer accounted for more than 10% of net sales for the three and nine months ended September 30, 2015 and 2014. The sum of these regional results may not agree to the consolidated results due to rounding. Information concerning our continuing operations in our segments is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net revenue:				
North America	\$89,759	\$87,507	\$272,155	\$267,029
Europe	36,014	36,080	110,573	111,497
Asia Pacific	15,194	16,796	44,865	49,383
Consolidated	\$140,967	\$140,383	\$427,593	\$427,909
Net revenue by type:				
Conferencing services revenue	\$107,917	\$112,119	\$329,797	\$345,442
UC&C SaaS revenue	22,188	13,029	61,403	35,758
Resold services revenue	10,862	15,235	36,393	46,709
Net revenue	\$140,967	\$140,383	\$427,593	\$427,909
Operating income (loss):				
North America	\$(4,375)	\$(6,613)	\$(6,432)	\$(3,663)
Europe	10,145	9,484	26,145	26,582
Asia Pacific	1,126	786	92	1,957
Consolidated	\$6,896	\$3,657	\$19,805	\$24,876

PREMIERE GLOBAL SERVICES, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

13. CONSOLIDATED STATEMENTS OF CASH FLOWS INFORMATION

Supplemental disclosures of cash flow information are as follows (in thousands):

	Nine Months Ended September 30,	
	2015	2014
Cash paid for interest	\$6,911	\$5,119
Income tax payments	\$4,420	\$4,708
Income tax refunds	\$2,269	\$761
Capital lease additions	\$1,887	\$1,147
Capitalized interest	\$191	\$236

At September 30, 2015 and 2014, we had accrued capital expenditures in “Total current liabilities” in our condensed consolidated balance sheets of \$0.7 million and \$1.7 million, respectively.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

PGi is the world's largest dedicated provider of collaboration software and services. We created iMeet, an expanding portfolio of purpose-built applications designed to meet the daily collaboration and communications needs of business professionals, with solutions for web, video and audio conferencing, smart calendar management, webcasting, project management and sales acceleration. PGi's award-winning UC&C solutions help nearly 50,000 businesses in 25 countries in our three segments in North America, Europe and Asia Pacific.

On September 10, 2015, PGi announced that we entered into a definitive agreement to be acquired by funds managed or advised by Siris in a transaction valued at approximately \$1.0 billion. Under the terms of the merger agreement, Siris will acquire all of the outstanding common stock of PGi for \$14.00 per share in cash. The agreement was unanimously approved by PGi's Board of Directors, which recommended that PGi's shareholders approve the merger agreement with Siris. The transaction is subject to customary closing conditions, including the receipt of shareholder approval. All required regulatory approvals for the transaction have been obtained. A special meeting of PGi's shareholders will be held on December 3, 2015 to consider and vote upon, among other matters, the proposal to approve the merger agreement. The transaction is not subject to a financing condition. PGi may be required to pay a termination fee of \$19.7 million if the merger agreement is terminated under certain circumstances. Upon completion of the acquisition, PGi will become wholly owned by an affiliate of Siris. If approved, the transaction is expected to close in the fourth quarter of 2015 or the first quarter of 2016. Costs incurred by PGi associated with this transaction in each of the three and nine months ended September 30, 2015 totaled approximately \$2.9 million. These costs have been recorded in "Acquisition/divestiture-related costs" in our condensed consolidated statements of operations. During 2015, we are continuing our strategy to transition PGi to a software model, focusing our sales and marketing efforts on growing the market awareness and adoption of our UC&C software suite. The following discussion and analysis reflects our results from continuing operations.

Key highlights of our financial and strategic accomplishments for the third quarter ended September 30, 2015 include:

- Grew our UC&C SaaS revenue to \$22.3 million (or \$22.2 million including the approximately \$0.1 million impact of purchase accounting adjustments related to deferred revenue assumed in our acquisitions) for the three months ended September 30, 2015, an increase of approximately 71% compared to the same period in 2014; and

• Increased our gross margin by approximately 140 basis points year-over-year to 60.1%.

Our primary corporate objectives for the remainder of 2015 are focused on continuing to:

- Acquire new customers with our UC&C software suite, including our iMeet and GlobalMeet product portfolios;
- Develop and release additional upgrades and enhancements to our UC&C products to increase their functionality, improve their competitive positioning and grow their market opportunities; and
- Transition our phone-based audio conferencing customers to our UC&C products.

We believe these strategic initiatives will further increase the addressable market opportunity for PGi and our solutions.

In the first nine months of 2015, approximately 40% of our net revenue was generated outside the United States. Because we generate a significant portion of our net revenue from our international operations, movements in foreign currency exchange rates affect our reported results. We estimate that changes in foreign currency exchange rates during the first nine months of 2015 negatively affected our net revenue by approximately \$17 million as compared to the same period in 2014.

We have historically generated net revenue growth in our collaboration solutions. Revenue growth is typically driven by the increase of total minutes sold, partially offset by the decrease in average rates per minute. We believe this trend is consistent within the industry, and we expect it to continue in the foreseeable future. Revenue increases during the first nine months of 2015, which were primarily driven by our recent acquisitions, were offset by the negative effects

of foreign currency exchange rates, resulting in a decrease in net revenue in the period to \$427.6 million from \$427.9 million in the same period in 2014.

We have historically used our cash flows from operating activities for debt repayments, capital expenditures, stock repurchases, acquisitions and strategic investments. As of September 30, 2015, borrowings under our \$575.0 million credit facility, including the uncommitted \$75.0 million accordion feature, were \$334.3 million. See “- Results of Operations - Liquidity and Capital Resources - Capital resources” for a description of our credit facility.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of net revenue and expenses during the reporting period. Actual results could differ from the estimates. See the section in this quarterly report entitled “- Critical Accounting Policies.” The following discussion and analysis provides information which we believe is relevant to an assessment and understanding of our condensed consolidated results of operations and financial condition. The results of operations for the nine months ended September 30, 2015 are not indicative of the results that may be expected for the full fiscal year of 2015 or for any other interim period. The financial information and discussion presented herein should be read in conjunction with our annual report on Form 10-K for the year ended December 31, 2014, which includes information and disclosures not included in this quarterly report. All significant intercompany accounts and transactions have been eliminated in consolidation.

RESULTS OF OPERATIONS

Net Revenue

The following tables present certain financial information about our segments for the periods presented (in thousands, except percentages):

	Three Months Ended September 30,		Change	
	2015	2014	\$	%
Net revenue:				
North America	\$89,759	\$87,507	\$2,252	2.6
Europe	36,014	36,080	(66)	(0.2)
Asia Pacific	15,194	16,796	(1,602)	(9.5)
Consolidated	\$140,967	\$140,383	\$584	0.4
Percent of net revenue:				
North America	63.7	% 62.3	%	
Europe	25.5	% 25.7	%	
Asia Pacific	10.8	% 12.0	%	
Consolidated	100.0	% 100.0	%	
Operating income (loss):				
North America	\$(4,375)	\$(6,613)	\$2,238	
Europe	10,145	9,484	661	
Asia Pacific	1,126	786	340	
Consolidated	\$6,896	\$3,657	\$3,239	
	Nine Months Ended September 30,		Change	
	2015	2014	\$	%
Net revenue:				
North America	\$272,155	\$267,029	\$5,126	1.9
Europe	110,573	111,497	(924)	(0.8)
Asia Pacific	44,865	49,383	(4,518)	(9.1)
Consolidated	\$427,593	\$427,909	\$(316)	(0.1)
Percent of net revenue:				
North America	63.6	% 62.4	%	
Europe	25.9	% 26.1	%	
Asia Pacific	10.5	% 11.5	%	
Consolidated	100.0	% 100.0	%	
Operating income (loss):				
North America	\$(6,432)	\$(3,663)	\$(2,769)	
Europe	26,145	26,582	(437)	
Asia Pacific	92	1,957	(1,865)	
Consolidated	\$19,805	\$24,876	\$(5,071)	

Consolidated Net Revenue

The following tables detail the changes in consolidated net revenue from the three and nine months ended September 30, 2014 to the three and nine months ended September 30, 2015 (in thousands):

	Three Months Ended			
	Consolidated	North America	Europe	Asia Pacific
September 30, 2014	\$ 140,383	\$ 87,507	\$ 36,080	\$ 16,796
Change in volume	(1,196)	(1,509)	(1,179)	1,492
Change in average selling prices and product mix	(2,881)	(2,852)	1,585	(1,614)
Acquisitions	9,984	7,166	2,562	256
Impact of fluctuations in foreign currency exchange rates	(5,323)	(553)	(3,034)	(1,736)
September 30, 2015	\$ 140,967	\$ 89,759	\$ 36,014	\$ 15,194
	Nine Months Ended			
	Consolidated	North America	Europe	Asia Pacific
September 30, 2014	\$ 427,909	\$ 267,029	\$ 111,497	\$ 49,383
Change in volume	(1,888)	(3,875)	(1,569)	3,556
Change in average selling prices and product mix	(11,620)	(11,398)	3,856	(4,078)
Acquisitions	29,469	21,782	7,313	374
Impact of fluctuations in foreign currency exchange rates	(16,277)	(1,383)	(10,524)	(4,370)
September 30, 2015	\$ 427,593	\$ 272,155	\$ 110,573	\$ 44,865

Net revenue was relatively flat during the three and nine months ended September 30, 2015 as compared to prior year periods primarily due to increased revenue from our recent acquisitions offset by the negative effects of fluctuations in foreign currency exchange rates and decreased average selling prices as a result of price reductions to current customers and changes in product mix. Revenue from our UC&C SaaS solutions, which generate higher average gross margins than our traditional audio conferencing services, increased to \$62.0 million (or \$61.4 million, including the approximately \$0.6 million impact of purchase accounting adjustments related to deferred revenue assumed in our acquisitions) during the nine months ended September 30, 2015, compared to \$35.8 million during the same period in 2014.

Net revenue increased slightly in our North America segment during the three and nine months ended September 30, 2015 from the comparable prior year periods due to our acquisitions, partially offset by decreased volume and decreased average selling prices. Fluctuations in foreign exchange rates negatively impacted North America by \$0.6 million and \$1.4 million during the three and nine months ended September 30, 2015, respectively. Net revenue decreased slightly in Europe during the same periods. This decrease in Europe was primarily driven by negative fluctuations in foreign exchange rates of \$3.0 million and \$10.5 million during the three and nine months ended September 30, 2015, respectively, partially offset by increases due to recent acquisitions and average selling prices and product mix. Net revenue decreased in Asia Pacific during the three and nine months ended September 30, 2015 from the comparable prior year periods primarily due to negative fluctuations in foreign exchange rates of \$1.7 million and \$4.4 million during the three and nine months ended September 30, 2015, respectively, and decreases in average selling prices and product mix during the periods. These decreases were partially offset by increased volume in the region, which was driven by newly acquired and existing large customers.

Cost of Revenue

	Three Months Ended September 30,		Change	
	2015	2014	\$	%
	(in thousands)			
Cost of revenue:				
North America	\$35,341	\$37,806	\$(2,465)	(6.5)
Europe	12,925	11,473	1,452	12.7
Asia Pacific	8,036	8,686	(650)	(7.5)
Consolidated	\$56,302	\$57,965	\$(1,663)	(2.9)

	Nine Months Ended September 30,		Change	
	2015	2014	\$	%
	(in thousands)			
Cost of revenue:				
North America	\$108,689	\$116,150	\$(7,461)	(6.4)
Europe	38,042	34,905	3,137	9.0
Asia Pacific	23,612	25,453	(1,841)	(7.2)
Consolidated	\$170,343	\$176,508	\$(6,165)	(3.5)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	% of Revenue		% of Revenue	
Cost of revenue:				
North America	39.4	43.2	39.9	43.5
Europe	35.9	31.8	34.4	31.3
Asia Pacific	52.9	51.7	52.6	51.5
Consolidated	39.9	41.3	39.8	41.2

Consolidated cost of revenue as a percentage of net revenue decreased during the three and nine months ended September 30, 2015 compared to the same periods in 2014. This decrease was primarily due to the growth in sales of our higher margin UC&C SaaS solutions in all regions, as well as additional cost reductions driven by fewer sales of our lower margin third-party products and reduced telecommunications expenses as a result of cost savings initiatives. Fluctuations in foreign currency exchange rates resulted in a \$2.2 million and \$6.9 million decrease in cost of revenue on a consolidated basis during the three and nine months ended September 30, 2015, respectively, compared to the same periods in 2014.

The decrease in cost of revenue as a percentage of net revenue in North America for the three and nine months ended September 30, 2015 compared to the same periods in 2014 was primarily due to the growth in sales of our higher margin UC&C SaaS solutions, as well as additional cost reductions driven by decreased sales of our lower margin third-party products and reduced telecommunications expenses as a result of cost savings initiatives. The increase in cost of revenue as a percentage of revenue in Europe was attributable primarily to the impact of our Modality acquisition, which has higher cost of revenue due to the service nature of its business. The increase in cost of revenue as a percentage of revenue in Asia Pacific was primarily a result of the decrease in revenue in the region by \$1.6 million and \$4.5 million during the three and nine months ended September 30, 2015, respectively, compared to the same periods in 2014, while cost of revenue only decreased by \$0.7 million and \$1.8 million, respectively, over the same periods. Fluctuations in foreign currency exchange rates resulted in a decrease in cost of revenue of \$0.3 million, \$1.1 million and \$0.8 million in North America, Europe and Asia Pacific, respectively, during the three months ended September 30, 2015 compared to the three months ended September 30, 2014. Fluctuations in foreign currency

exchange rates resulted in a decrease in cost of revenue of \$0.5 million, \$4.1 million and \$2.3 million in North America, Europe and Asia Pacific, respectively, during the nine months ended September 30, 2015 compared to the same period in 2014.

Selling and Marketing Expenses

	Three Months Ended September 30,		Change	
	2015	2014	\$	%
	(in thousands)			
Selling and marketing expenses:				
North America	\$24,590	\$21,282	\$3,308	15.5
Europe	8,532	10,603	(2,071)	(19.5)
Asia Pacific	3,878	4,928	(1,050)	(21.3)
Consolidated	\$37,000	\$36,813	\$187	0.5

	Nine Months Ended September 30,		Change	
	2015	2014	\$	%
	(in thousands)			
Selling and marketing expenses:				
North America	\$72,815	\$64,755	\$8,060	12.4
Europe	26,644	33,372	(6,728)	(20.2)
Asia Pacific	11,666	14,115	(2,449)	(17.4)
Consolidated	\$111,125	\$112,242	\$(1,117)	(1.0)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	% of Revenue		% of Revenue	
Selling and marketing expenses:				
North America	27.4	24.3	26.8	24.3
Europe	23.7	29.4	24.1	29.9
Asia Pacific	25.5	29.3	26.0	28.6
Consolidated	26.2	26.2	26.0	26.2

Consolidated selling and marketing expenses as a percentage of net revenue remained flat during the three months ended September 30, 2015 and decreased slightly during the nine months ended September 30, 2015 compared to the same periods in the previous year. The decrease during the nine months ended September 30, 2015 was driven by cost reductions in Europe and Asia Pacific as a result of efforts to reduce personnel related costs and fluctuations in foreign exchange rates in Europe and reduced headcount in Asia Pacific. This decrease was partially offset by increased selling and marketing expenses in North America due to the impact of acquisitions and the launch of advertising initiatives to further promote and drive broader awareness of our products. Fluctuations in foreign currency exchange rates resulted in decreased selling and marketing expenses of \$0.2 million, \$1.0 million and \$0.6 million in North America, Europe and Asia Pacific, respectively, over the three months ended September 30, 2015 compared to the three months ended September 30, 2014. Fluctuations in foreign currency exchange rates resulted in decreased selling and marketing expenses of \$0.5 million, \$3.6 million and \$1.5 million in North America, Europe and Asia Pacific, respectively, during the nine months ended September 30, 2015 compared to the same period in 2014.

General and Administrative Expenses

	Three Months Ended September 30,		Change	
	2015	2014	\$	%
	(in thousands)			
General and administrative expenses:				
North America	\$ 14,786	\$ 13,105	\$ 1,681	12.8
Europe	3,068	3,029	39	1.3
Asia Pacific	1,482	1,676	(194)	(11.6)
Consolidated	\$ 19,336	\$ 17,810	\$ 1,526	8.6

	Nine Months Ended September 30,		Change	
	2015	2014	\$	%
	(in thousands)			
General and administrative expenses:				
North America	\$ 45,865	\$ 40,023	\$ 5,842	14.6
Europe	9,185	9,192	(7)	(0.1)
Asia Pacific	5,459	5,600	(141)	(2.5)
Consolidated	\$ 60,509	\$ 54,815	\$ 5,694	10.4

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	% of Revenue		% of Revenue	
General and administrative expenses:				
North America	16.5	15.0	16.9	15.0
Europe	8.5	8.4	8.3	8.2
Asia Pacific	9.8	10.0	12.2	11.3
Consolidated	13.7	12.7	14.2	12.8

General and administrative expenses on a consolidated basis increased during the three and nine months ended September 30, 2015 as compared to the same periods in 2014 primarily as a result of increased personnel-related expenses due to higher headcount and our acquisitions of TalkPoint, Central Desktop and Modality. General and administrative expenses in North America increased during the three and nine months ended September 30, 2015 as compared to the same periods in 2014 as a result of our acquisitions of TalkPoint and Central Desktop and increased personnel-related expenses due to slightly higher headcount. General and administrative expenses in Europe remained flat during the three and nine months ended September 30, 2015 compared to the same periods in 2014 primarily as a result of increased headcount offset by a decrease due to fluctuations in foreign exchange rates. General and administrative expenses in Asia Pacific decreased during the three and nine months ended September 30, 2015, respectively, due to the timing of professional fees and other miscellaneous costs. Fluctuations in foreign currency exchange rates did not have a significant effect on general and administrative expenses in North America during the three and nine months ended September 30, 2015 as compared to the same periods in 2014. Fluctuations in foreign currency exchange rates resulted in decreased general and administrative expenses in Europe of \$0.4 million and \$1.2 million during the three and nine months ended September 30, 2015, respectively, as compared to the same periods in 2014. Fluctuations in foreign currency exchange rates resulted in decreased general and administrative expenses in Asia Pacific of \$0.2 million and \$0.6 million during the three and nine months ended September 30, 2015, respectively, as compared to the same periods in 2014.

Research and Development Expenses

Consolidated research and development expense as a percentage of net revenue was 4.1% for the three months ended September 30, 2015 and 3.9% for the three months ended September 30, 2014. Consolidated research and development expense as a percentage of net revenue was 3.8% for the nine months ended September 30, 2015 and 3.4% for the nine months ended September 30, 2014. We incurred the majority of research and development costs in North America. The increase was primarily driven by additional resources to develop our UC&C software products.

Equity-Based Compensation Expense

Equity-based compensation expense for restricted stock awards is included in operating expenses. The expense was recorded in the line items below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Cost of revenue	\$73	\$144	\$339	\$482
Selling and marketing	1,093	594	2,460	2,011
Research and development	327	181	773	481
General and administrative	2,263	1,741	6,249	4,570
Equity-based compensation expense	\$3,756	\$2,660	\$9,821	\$7,544

Equity-based compensation expense increased for the three and nine months ended September 30, 2015 as compared to the same periods in 2014 as a result of additional awards granted in the second half of 2014 related to our acquisitions of TalkPoint and Central Desktop, as well as additional performance-based awards granted during 2015.

Depreciation Expense

	Three Months Ended September 30,		Change	
	2015	2014	\$	%
	(in thousands)			
Depreciation expense:				
North America	\$7,335	\$6,962	\$373	5.4
Europe	998	1,115	(117)	(10.5)
Asia Pacific	553	620	(67)	(10.8)
Consolidated	\$8,886	\$8,697	\$189	2.2
	Nine Months Ended September 30,		Change	
	2015	2014	\$	%
	(in thousands)			
Depreciation expense:				
North America	\$21,392	\$20,836	\$556	2.7
Europe	3,067	3,664	(597)	(16.3)
Asia Pacific	1,891	1,748	143	8.2
Consolidated	\$26,350	\$26,248	\$102	0.4

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	% of Revenue		% of Revenue	
Depreciation expense:				
North America	8.2	8.0	7.9	7.8
Europe	2.8	3.1	2.8	3.3
Asia Pacific	3.6	3.7	4.2	3.5
Consolidated	6.3	6.2	6.2	6.1

Consolidated depreciation expense remained flat for the three and nine months ended September 30, 2015 as compared to the same periods in 2014. Fluctuations in Europe and Asia Pacific were due to the timing of asset additions and retirements.

Amortization Expense

	Three Months Ended September 30,		Change	
	2015	2014	\$	%
	(in thousands)			
Amortization expense:				
North America	\$2,578	\$1,323	\$1,255	94.9
Europe	1,313	1,177	136	11.6
Asia Pacific	71	82	(11)	(13.4)
Consolidated	\$3,962	\$2,582	\$1,380	53.4

	Nine Months Ended September 30,		Change	
	2015	2014	\$	%
	(in thousands)			
Amortization expense:				
North America	\$7,796	\$3,754	\$4,042	107.7
Europe	4,382	3,550	832	23.4
Asia Pacific	221	245	(24)	(9.8)
Consolidated	\$12,399	\$7,549	\$4,850	64.2

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	% of Revenue		% of Revenue	
Amortization expense:				
North America	2.9	1.5	2.9	1.4
Europe	3.6	3.3	4.0	3.2
Asia Pacific	0.5	0.5	0.5	0.5
Consolidated	2.8	1.8	2.9	1.8

Consolidated amortization expense increased for the three and nine months ended September 30, 2015 as compared to the same periods in 2014 as a result of amortization recognized on intangible assets related to our recent acquisitions. Refer to Notes 5 and 10 of our condensed consolidated financial statements for additional information on our related intangible assets and acquisitions.

Restructuring Costs

Consolidated restructuring costs incurred during the three months ended September 30, 2015 were less than \$0.1 million, representing less than 0.1% of net revenue for the period. Consolidated restructuring costs for the nine months ended September 30, 2015 were \$4.2 million, representing approximately 1.0% of net revenue for the period. There were \$0.1 million restructuring costs for the three and nine months ended September 30, 2014.

Realignment of Workforce – 2015

For the 2015 alignment, we recorded restructuring expenses of \$4.3 million during the nine months ended September 30, 2015. Of these expenses, \$3.9 million relate to severance costs. We eliminated approximately 90 positions in an effort to realign our international operations and ensure that our organizational structure is optimally aligned to take full advantage of our market opportunities. We also recorded \$0.4 million in contract termination costs associated with this realignment. On a segment basis, these restructuring costs totaled \$1.5 million in North America, \$1.0 million in Europe and \$1.8 million in Asia Pacific. Our reserve for the 2015 realignment was \$0.3 million at September 30, 2015, which we anticipate will be paid within one year.

Realignment of Workforce – 2014

During 2014, we eliminated approximately 15 positions in an effort to consolidate and streamline various functions of our workforce. To date, we have recorded \$0.5 million of severance costs, including a \$(0.1) million adjustment recorded in 2015, and \$0.1 million in contract termination costs associated with this realignment. On a segment basis, these restructuring costs totaled \$0.1 million in North America and \$0.5 million in Europe. There is no remaining reserve for the 2014 realignment at September 30, 2015.

Realignment of Workforce – 2013

During 2013, we eliminated approximately 60 positions in an effort to consolidate and streamline various functions of our workforce. To date, we have recorded \$3.3 million of severance costs and \$0.2 million in contract termination costs associated with this realignment. On a segment basis, these restructuring costs totaled \$1.3 million in North America, \$2.0 million in Europe and \$0.2 million in Asia Pacific. Our reserve for the 2013 realignment was \$0.1 million at September 30, 2015, which we anticipate will be paid within one year.

Acquisition/divestiture-related Costs

Acquisition/divestiture-related costs reflected in our condensed consolidated statements of operations include, but are not limited to, transaction costs such as banking, legal, accounting and other professional fees directly related to acquisitions and divestitures, termination and related costs for transitional and certain other employees, integration-related professional fees and other post-business combination expenses associated with our acquisitions and divestitures.

The following table summarizes acquisition/divestiture-related costs incurred during the three and nine months ended September 30, 2015 and 2014 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Divestiture-related costs				
Professional fees	\$2,854	\$—	\$2,854	\$—
Acquisition-related costs				
Professional fees	266	1,136	637	2,849
Release of indemnification asset	612	1,472	612	1,472
Integration-related costs	416	868	2,976	2,846
Earn-out adjustments, net	(1,727)	(1,329)	(1,058)	(1,329)

Total acquisition/divestiture-related costs	\$2,421	\$2,147	\$6,021	\$5,838
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33

Included in Integration-related costs above in 2015 is a lease abandonment charge of approximately \$0.8 million related to a facility in the United Kingdom that will no longer be utilized due to recent acquisition activities in that country. For further discussion of these costs, see Note 10 to our condensed consolidated financial statements.

Interest Expense

Interest expense was \$3.0 million and \$2.1 million in the three months ended September 30, 2015 and 2014, respectively, and was \$8.5 million and \$6.6 million for the nine months ended September 30, 2015 and 2014, respectively. The increase is due to higher balances outstanding on our credit facility as a result of our recent acquisitions. The weighted-average outstanding balance on our credit facility was \$353.1 million and \$284.7 million for the three months ended September 30, 2015 and 2014, respectively, and \$356.7 million and \$281.1 million for the nine months ended September 30, 2015 and 2014, respectively. Our effective interest rate on LIBOR loans, which comprised materially all of our outstanding borrowings, was 2.74% and 2.44% at September 30, 2015 and 2014, respectively.

Income Tax (Benefit) Expense

Income tax (benefit) expense for the three and nine months ended September 30, 2015 was \$(0.6) million and \$1.0 million, respectively, compared to \$(0.4) million and \$5.2 million for the three and nine months ended September 30, 2014, respectively. The decrease in income tax expense during the nine months ended September 30, 2015 compared to the same period in the prior year is primarily related to the decrease in income from continuing operations before income taxes for the three and nine months ended September 30, 2015 compared to the same periods of 2014. We had \$7.4 million and \$8.2 million of unrecognized tax benefits as of September 30, 2015 and December 31, 2014, respectively. Upon resolution, \$5.9 million and \$6.9 million of unrecognized tax benefits would affect our annual effective tax rate as of September 30, 2015 and December 31, 2014, respectively. The unrecognized tax benefits are included in "Accrued expenses" under "Long-Term Liabilities" in our condensed consolidated balance sheets.

Our valuation allowance at September 30, 2015 primarily relates to certain foreign and state net operating loss and capital loss carryforwards that, in the opinion of management, are more likely than not to expire unutilized. During the nine months ended September 30, 2015, the net change in our valuation allowance was \$0.1 million.

Discontinued Operations

The following amounts associated with our discontinued businesses have been segregated from continuing operations and are reflected as discontinued operations for the three and nine months ended September 30, 2015 and 2014 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating loss	\$(118)	\$(93)	\$(508)	\$(259)
Interest expense	(66)	(62)	(196)	(182)
Income tax benefit	65	55	251	158
Loss from discontinued operations, net of taxes	\$(119)	\$(100)	\$(453)	\$(283)

The results of discontinued operations for the three and nine months ended September 30, 2015 and 2014 reflect ongoing costs associated with the state telecommunications excise tax and state corporate tax matters set forth in Note 11. We have agreed to indemnify the purchaser of our PGiSend messaging business, which was sold in 2010, for these pre-closing, residual liabilities.

Liquidity and Capital Resources

Cash provided by operating activities

Consolidated operating cash flows decreased to \$41.6 million for the nine months ended September 30, 2015 as compared to \$53.9 million for the nine months ended September 30, 2014. This decrease was attributable to an \$10.1 million reduction in cash generated from working capital, net of business acquisitions, for the nine months ended September 30, 2015 as compared to the same period in 2014. The primary driver of the negative fluctuation in working capital, net of business acquisitions, is the reduction in accounts payable and increases in accounts receivable. This reduction was partially offset by increases in accrued payroll.

Cash used in investing activities

Consolidated investing activities used cash of \$44.4 million and \$80.0 million for the nine months ended September 30, 2015 and 2014, respectively. The principal uses of cash in investing activities for the nine months ended September 30, 2015 were \$28.0 million for capital expenditures and \$16.1 million for acquisitions, net of cash acquired. The principal use of cash in investing activities for the nine months ended September 30, 2014 was \$55.5 million for acquisitions and \$26.6 million for capital expenditures, slightly offset by proceeds received from the sale of investments as described in Note 2 to our condensed consolidated financial statements.

Cash (used in) provided by financing activities

Consolidated financing activities used cash of \$15.7 million for the nine months ended September 30, 2015 and provided \$12.0 million over the same period in 2014. The primary uses of cash provided by financing activities in the nine months ended September 30, 2015 was \$15.6 million in treasury stock purchases, which includes the value of shares of our common stock redeemed to satisfy employees' tax withholdings due upon the vesting of their restricted stock grants, as well as payment of \$1.8 million to settle the Powwownow earn-out liability, partially offset by \$1.5 million of net proceeds from borrowing arrangements. The primary source of cash provided by financing activities in the nine months ended September 30, 2014 was \$37.5 million of net proceeds on borrowing arrangements partially offset by \$25.8 million in treasury stock purchases, which includes the value of shares of our common stock redeemed to satisfy employees' tax withholdings due upon the vesting of their restricted stock grants.

Off-balance sheet arrangements

At September 30, 2015, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Capital resources

Our credit facility consists of a \$350.0 million revolver, a \$150.0 million Term A loan and an uncommitted \$75.0 million accordion feature, which allows for additional credit commitments up to a maximum of \$575.0 million, subject to the credit facility terms and conditions. Our subsidiary, ATS, is the borrower under our credit facility, with PGI and certain of our material domestic subsidiaries guaranteeing the obligations of ATS under the credit facility, which is secured by substantially all of our assets and the assets of our material domestic subsidiaries. In addition, we have pledged as collateral all of the issued and outstanding stock of our material domestic subsidiaries and 65% of the issued and outstanding stock of our material foreign subsidiaries. Proceeds drawn under our credit facility can be used for working capital, capital expenditures, acquisitions and other general corporate purposes. The annual interest rate applicable to borrowings under our credit facility, at our option, is (1) the base rate (the highest of the federal funds rate plus one-half of one percent, the prime rate or one-month LIBOR plus one and one-half percent) plus an applicable percentage that varies based on our consolidated leverage ratio at quarter end, or (2) LIBOR (or, if applicable, the rate designated in the credit facility for certain foreign currencies) for one, two, three or six months adjusted for a percentage that represents the Federal Reserve Board's reserve percentage plus an applicable percentage that varies based on our consolidated leverage ratio at quarter end. The applicable percentages for base rate loans and LIBOR loans were 1.50% and 2.50%, respectively, at September 30, 2015 under our credit facility. Our interest rate on LIBOR loans, which comprised materially all of our outstanding borrowings as of September 30, 2015, was 2.74%. In addition, we pay a commitment fee on the unused portion of our credit facility that is based on our consolidated leverage ratio at quarter end. As of September 30, 2015, the rate applied to the unused portion of our credit facility was 0.40%. Our credit facility contains customary terms and restrictive covenants, including financial covenants. At September 30, 2015, we were in compliance with the covenants under our credit facility.

At September 30, 2015, we had utilized \$337.5 million of our credit facility, with \$334.3 million in borrowings and \$3.2 million in letters of credit outstanding. From time to time, we may enter into interest rate swaps to reduce our exposure to market risk from changes in interest rates on interest payments associated with our credit facility. As of September 30, 2015, we have no outstanding interest rate swaps.

At the scheduled maturity of our credit facility in August 2019, or in the event of an acceleration of the indebtedness under our credit facility following an event of default, the entire outstanding principal amount of the indebtedness under the facility, together with all other amounts payable thereunder, will become due and payable. We may not have sufficient funds to pay such obligations in full at maturity or upon such acceleration. If we default and are not able to

pay any such obligations due, our lenders have liens on substantially all of our assets and could foreclose on our assets in order to satisfy our obligations.

We regularly review our capital structure and evaluate potential alternatives in light of current conditions in the capital markets. Depending upon conditions in these markets, cash flows from our segments and other factors, we may engage in other

capital transactions. These capital transactions include, but are not limited to, debt or equity issuances or credit facilities with banking institutions.

Liquidity

As of September 30, 2015, we had \$19.3 million in cash and equivalents compared to \$40.2 million as of December 31, 2014. Cash balances residing outside of the United States were \$17.2 million and \$38.2 million as of September 30, 2015 and December 31, 2014, respectively. As we generate positive cash flows in the United States, we currently do not foresee a requirement to repatriate the cash and cash equivalents held by our foreign subsidiaries to fund domestic operations or repay domestic obligations. Included in these cash flows are repayments of royalties and management fees charged to international locations from the United States which were not included in segment operating income. We also utilize a variety of tax planning and financing strategies with the objective of having our worldwide cash and cash equivalents available in the locations where they are needed, and, when advantageous, may access foreign cash or cash equivalents in a tax efficient manner. However, if these funds are needed for our operations in the United States, we could be required to pay additional U.S. taxes to repatriate these funds. At September 30, 2015, we had \$162.5 million of available credit on our credit facility, without regard to the uncommitted \$75.0 million accordion feature. We have historically borrowed on our credit facility in order to fund stock repurchases and acquisitions. We had sufficient cash flows from consolidated operations to service existing debt obligations, to fund capital expenditure requirements and to fund research and development expenses for new services and enhancements to existing services. Assuming no material change to these costs, which we do not anticipate, we believe that we will generate adequate operating cash flows for capital expenditures and contractual commitments and to satisfy our indebtedness and fund our liquidity needs for at least the next 12 months.

CRITICAL ACCOUNTING POLICIES

“Management’s Discussion and Analysis of Financial Condition and Results of Operations” is based upon our condensed consolidated financial statements and the notes thereto, which have been prepared in accordance with GAAP. The preparation of the condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. We review the accounting policies used in reporting our financial results on a regular basis and review critical accounting policies and related disclosures with the audit committee of our board of directors. We have identified the policies below as critical to our business operations and the understanding of our financial condition and results of operations:

• Revenue recognition;

• Allowance for uncollectible accounts receivable;

• Goodwill and other intangible assets;

• Income taxes;

• Restructuring costs; and

• Legal contingencies.

For a detailed discussion on the application of these accounting policies, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in our annual report on Form 10-K for the fiscal year ended December 31, 2014.

FORWARD LOOKING STATEMENTS

When used in this quarterly report on Form 10-Q and elsewhere by us or by management from time to time, the words “believes,” “anticipates,” “expects,” “will,” “may,” “should,” “intends,” “plans,” “estimates,” “predicts,” “potential,” “continue,” and similar expressions are intended to identify forward-looking statements concerning our operations, economic performance and financial condition. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These statements are based on a number of assumptions and estimates that are inherently subject to significant risks and uncertainties, many of which are beyond our control and reflect future business decisions which are subject to change. A variety of factors could cause actual results to differ materially from those anticipated in our forward-looking statements, including, but not limited to, the following factors:

- Risks related to our proposed merger with Siris;
- Competitive pressures, including pricing pressures;
- Technological changes and the development of alternatives to our services;
- Market acceptance of our UC&C software suite, including our iMeet and GlobalMeet product portfolios;
- Our ability to attract, retain and expand the products and services we provide to existing customers;
- Our ability to establish and maintain strategic reseller and distribution relationships;
- Risks associated with global economic or market conditions;
- Price increases from our telecommunications service providers;
- Service interruptions and network downtime, including undetected errors or defects in our software;
- Technological obsolescence and our ability to upgrade our equipment or increase our network capacity;
- Concerns regarding the security and privacy of our customers' confidential information;
- Future write-downs of goodwill or other intangible assets;
- Greater than anticipated tax and regulatory liabilities;
- Restructuring and cost reduction initiatives and the market reaction thereto;
- Our level of indebtedness;
- Risks associated with acquisitions and divestitures;
- Indemnification claims from our PGiSend sale;
- Our ability to protect our intellectual property rights, including possible adverse results of litigation or infringement claims;
- Regulatory or legislative changes, including further government regulations applicable to traditional telecommunications service providers and data privacy;
- Risks associated with international operations and market expansion, including fluctuations in foreign currency exchange rates;
- Factors described under the caption Part I, Item 1A. “Risk Factors” in our annual report on Form 10-K for the year ended December 31, 2014; and
- Factors described from time to time in our press releases, reports and other filings made with the SEC.

We caution that these factors are not exclusive. Consequently, all of the forward-looking statements made in this quarterly report on Form 10-Q and in other documents filed with the SEC are qualified by these cautionary statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this quarterly report. We undertake no obligation to publicly update or revise these forward-looking statements for any reason.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates and foreign currency exchange rates. We manage our exposure to these market risks through our regular operating and financing activities and the timing of intercompany payable settlements. From time to time, we may enter into interest rate swaps to reduce our exposure to market risk from changes in interest rates on interest payments associated with our credit facility. As of September 30, 2015, we had no outstanding interest rate swaps.

At September 30, 2015, we had borrowings of approximately \$334.3 million outstanding under our credit facility that are subject to interest rate risk. Each 1% increase or decrease in interest rates relative to these borrowings would impact our annual pre-tax earnings and cash flows by approximately \$3.3 million based on our September 30, 2015 debt level.

We generated approximately 40% of our consolidated net revenue and 34% of our operating expenses in countries outside of the United States in the nine months ended September 30, 2015. Additionally, we have foreign currency denominated debt as part of our credit facility. At September 30, 2015, we had foreign debt outstanding of £2.5 million. As a result, fluctuations in exchange rates impact the amount of our reported consolidated net revenue, operating income and debt. A hypothetical positive or negative change of 10% in foreign currency exchange rates would positively or negatively change our consolidated net revenue, operating expenses and outstanding debt for the nine months ended September 30, 2015 by approximately \$16.9 million, \$14.0 million and \$0.4 million, respectively. Our principal exposure has been related to local currency sales and operating costs in Australia, Canada, the Euro Zone, India, Japan, Norway, Singapore and the United Kingdom. We have not used derivatives to manage foreign currency exchange risk, and we did not have any foreign currency exchange derivatives outstanding at September 30, 2015.

ITEM 4 CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures as of September 30, 2015.

Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of September 30, 2015, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended, or the Exchange Act), were effective and designed to ensure that (a) information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and (b) information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

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

PART II. OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

State Corporate Tax Matter

On August 6, 2010, our former subsidiary, Xpedite, received a final determination from the New Jersey Division of Taxation upholding a corporate business tax audit assessment for the tax years ended December 31, 1998 through December 31, 2000 and December 31, 2002. The assessment totaled approximately \$6.2 million as of August 15, 2010, including approximately \$2.4 million in taxes and \$3.8 million in accrued interest and penalties, on which interest continues to accrue. The assessment relates to the sourcing of Xpedite's receipts for purposes of determining the amount of its income that is properly attributable to, and therefore taxable by, New Jersey. We are vigorously contesting the determination through a timely appeal that we filed with the Tax Court of New Jersey on November 2, 2010. On April 24, 2015, we filed a motion for summary judgment with the Tax Court of New Jersey which was denied on August 25, 2015. We filed a motion for reconsideration on September 14, 2015. We believe we are adequately reserved for this matter. However, if the New Jersey Division of Taxation's final determination is sustained, the amount assessed could result in a material adjustment to our consolidated financial statements which would impact our cash flows and results of operations. We agreed to indemnify EasyLink for this matter in connection with our PGiSend sale.

Other Litigation and Claims

We are involved in other litigation matters and are subject to claims arising in the ordinary course of business that we do not believe will have a material adverse effect upon our business, financial condition or results of operations, although we can offer no assurance as to the ultimate outcome of any such matters.

ITEM 1A RISK FACTORS

Except as set forth below, as of September 30, 2015, there have been no material changes to the risk factors that were previously disclosed in Part I, Item 1A. "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2014.

If our proposed merger with Siris pursuant to the merger agreement is not consummated, our business, operating results and stock price could be adversely affected.

If the transaction with Siris is not consummated, we will be subject to several risks and our business could be adversely affected. The price of our common stock may decline significantly from the current market price, to the extent that the current market price reflects the market's expectation that the merger will be completed or as a result of the market's perceptions as to the reasons why the merger was not completed. Further, if the merger is not completed, we may experience negative reactions from the financial markets and our customers, strategic alliance partners, suppliers and employees, which could adversely impact our access to the capital markets and other business relationships in the future. If the merger agreement is terminated pursuant to certain specified circumstances, we may be required to pay a termination fee to Siris in an amount of \$19,742,842.

Pursuant to the merger agreement, we must conduct our business in the ordinary course and are subject to a variety of other restrictions on the conduct of business prior to the closing of the merger or termination of the merger agreement. Such restrictions may delay or prevent us from pursuing otherwise attractive business opportunities that may arise pending completion of the merger. If the merger is not consummated, our management will have focused significant attention on negotiating and preparing for the merger instead of on pursuing other potential strategic opportunities that could have been beneficial to us. Significant transaction costs associated with the transaction, including legal fees, financial advisory fees and other expenses, have already been incurred that are payable even if the merger with Siris is not consummated.

For these and other reasons, termination of the merger agreement or failure to consummate the merger could materially and adversely affect our business, financial condition and results of operations.

Obtaining required approvals and satisfying the other conditions to the completion of the merger may delay or prevent completion of the transaction.

The completion of the our successful merger with Siris is subject to a number of conditions, including but not limited to: (i) the approval of the merger agreement by the holders of a majority of the outstanding shares of our common stock entitled to vote thereon; (ii) the absence of any temporary restraining order, injunction or other judgment, order or decree or other legal restraint or prohibition or law prohibiting or making illegal the consummation of the merger; and (iii) all actions by or in respect of filings with any governmental authority required to permit the consummation of the merger have been taken or obtained.

We and Siris intend to pursue all required approvals and satisfy all other conditions within our control in accordance with the merger agreement. However, several of these conditions are outside of our control and no assurance can be given that each required condition will be satisfied and, even if all such conditions are satisfied, no assurance can be given as to the terms, conditions and timing of satisfaction of such conditions or required approvals or that they will satisfy the terms of the merger agreement.

Litigation may be filed against us and the members of our board of directors challenging the merger and any adverse outcome in any such litigation may prevent the merger from becoming effective or from becoming effective within the expected timeframe.

Historically, following the announcement of a proposed merger, securities class action litigation is frequently brought against a company and its board of directors. Although no litigation related to the merger has been filed at this time, if any person or entity were to secure injunctive or other relief prohibiting, delaying or otherwise adversely affecting our ability to consummate the merger, then such injunctive or other relief may prevent the merger from being consummated at all or within the expected time frame. If consummation of the merger is prevented or delayed, it could have negative consequences that materially and adversely affect our business, results of operations, and the price per share for our common stock, as described above.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES

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 ⁽²⁾	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
July 1 - 31, 2015	—	\$—	—	2,046,748
August 1 - 31, 2015	—	\$—	—	2,046,748
September 1 - 30, 2015	43,566	\$ 13.74	—	2,046,748
Total	43,566	\$ 13.74	—	

The total number of shares purchased includes shares purchased pursuant to our board-approved stock repurchase program described below and shares surrendered by employees to the company to satisfy tax withholding obligations in connection with the vesting of restricted stock totaling 43,566 shares in September 2015, which do not count against shares authorized under our stock repurchase program.

In December 2012, our board approved a stock repurchase program authorizing the repurchase of up to 5.0 million shares of our common stock. As of September 30, 2015, we have purchased approximately 3.0 million shares pursuant to this stock repurchase program. This stock repurchase program has no expiration date.

ITEM 6 EXHIBITS

The exhibits filed with this report are listed on the “Exhibit Index” following the signature page of this quarterly report on Form 10-Q, which are incorporated by reference.

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.

Date: November 9, 2015

PREMIERE GLOBAL SERVICES, INC.

/s/ David E. Trine

David E. Trine

Chief Financial Officer

(principal financial and accounting officer and
duly authorized signatory of the registrant)

EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated September 10, 2015, by and among Pangea Private Holdings, II, LLC, Pangea Merger Sub Inc. and Registrant (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated September 10, 2015 and filed on September 11, 2015).
3.1	Amended and Restated Articles of Incorporation of the Registrant dated March 15, 2006 (incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, filed on March 16, 2006).
3.2	Third Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on October 21, 2010).
4.1	See Exhibits 3.1 and 3.2. for provisions of the Amended and Restated Articles of Incorporation and Bylaws defining the rights of the holders of common stock of the Registrant.
4.2	Specimen Stock Certificate (incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, filed on March 16, 2006).
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer, as required by Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

