

# SYKES ENTERPRISES INC

## FORM 10-Q (Quarterly Report)

Filed 05/07/01 for the Period Ending 03/31/01

Address	400 NORTH ASHLEY DRIVE TAMPA, FL 33602
Telephone	8132741000
CIK	0001010612
Symbol	SYKE
SIC Code	7373 - Computer Integrated Systems Design
Industry	Computer Networks
Sector	Technology
Fiscal Year	12/31

# SYKES ENTERPRISES INC

## FORM 10-Q (Quarterly Report)

Filed 5/7/2001 For Period Ending 3/31/2001

Address	100 NORTH TAMPA ST STE 3900 TAMPA, Florida 33602
Telephone	813-274-1000
CIK	0001010612
Industry	Computer Networks
Sector	Technology
Fiscal Year	12/31

**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 March 31, 2001.

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from  
to

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*Commission File No. 0-28274*

**SYKES ENTERPRISES, INCORPORATED**

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(Exact name of Registrant as specified in its charter)

Florida

-----  
(State or other jurisdiction of  
incorporation or organization)

56-1383460

-----  
(IRS Employer  
Identification No.)

100 North Tampa Street, Suite 3900, Tampa, FL 33602

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

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

Yes  No

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDING DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

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

As of May 4, 2001, there were 39,832,794 shares of common stock outstanding.

**PART I**

**ITEM 1 - FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REPORT.**

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share data)

	MARCH 31, 2001 ----- (Unaudited)	DECEMBER 31, 2000 -----
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents .....	\$ 27,432	\$ 30,141
Receivables .....	119,571	135,609
Prepaid expenses and other current assets .....	17,298	17,679
	-----	-----
Total current assets .....	164,301	183,429
Property and equipment, net .....	150,822	151,842
Intangible assets, net .....	8,226	8,861
Deferred charges and other assets .....	14,525	13,212
	-----	-----
	\$ 337,874	\$ 357,344
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Current installments of long-term debt .....	\$ 57	\$ 100
Accounts payable .....	24,143	34,636
Income taxes payable .....	4,877	5,502
Accrued employee compensation and benefits .....	29,751	32,746
Other accrued expenses and current liabilities .....	17,817	17,481
	-----	-----
Total current liabilities .....	76,645	90,465
Long-term debt .....	1,960	8,759
Deferred grants .....	29,688	30,143
Deferred revenue .....	31,808	31,072
Other long-term liabilities .....	5	8
	-----	-----
Total liabilities .....	140,106	160,447
	-----	-----
Contingencies		
Shareholders' equity		
Preferred stock, \$0.01 par value, 10,000 shares authorized; no shares issued and outstanding .....	--	--
Common stock, \$0.01 par value, 200,000 shares authorized; 43,116 and 43,084 issued .....	431	431
Additional paid-in capital .....	159,855	159,696
Retained earnings .....	96,458	91,435
Accumulated other comprehensive income (loss) .....	(18,393)	(14,082)
	-----	-----
238,351	237,480	
Treasury stock at cost; 2,981 shares .....	(40,583)	(40,583)
	-----	-----
Total shareholders' equity .....	197,768	196,897
	-----	-----
	\$ 337,874	\$ 357,344
	=====	=====

See accompanying notes to condensed consolidated financial statements.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**THREE MONTHS ENDED MARCH 31, 2001 AND MARCH 31, 2000**  
(Unaudited)

(in thousands, except for per share data)	2001	2000
Revenues .....	\$ 140,421	\$ 162,710
Operating expenses:		
Direct salaries and related costs .....	88,712	101,871
General and administrative .....	43,247	46,914
Total operating expenses .....	131,959	148,785
Income from operations .....	8,462	13,925
Other income (expense):		
Interest, net .....	20	(1,236)
Other .....	(380)	(1)
Total other income (expense) .....	(360)	(1,237)
Income before provision for income taxes and cumulative effect of change in accounting principle .....	8,102	12,688
Provision for income taxes .....	3,079	4,923
Income before cumulative effect of change in accounting principle .....	5,023	7,765
Cumulative effect of change in accounting principle, net of income taxes of \$1.3 million .....	--	(2,068)
Net income .....	\$ 5,023	\$ 5,697
Net income per basic share:		
Income before cumulative effect of change in accounting principle .....	\$ 0.13	\$ 0.18
Cumulative effect of change in accounting principle .....	--	(0.05)
Net income per basic share .....	\$ 0.13	\$ 0.13
Total weighted average basic shares .....	40,137	42,606
Net income per diluted share:		
Income before cumulative effect of change in accounting principle .....	\$ 0.12	\$ 0.18
Cumulative effect of change in accounting principle .....	--	(0.05)
Net income per diluted share.....	\$ 0.12	\$ 0.13
Total weighted average diluted shares .....	40,251	42,902

See accompanying notes to condensed consolidated financial statements.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**THREE MONTHS ENDED MARCH 31, 2000, NINE MONTHS ENDED DECEMBER 31, 2000 AND**  
**THREE MONTHS ENDED MARCH 31, 2001**

(in thousands)	Common Stock Shares -----	Common Stock Amount -----	Additional Paid-in Capital -----	Retained Earnings -----	Accumulated Other Comprehensive Income (Loss) -----	Treasury Stock -----	Total -----
Balance at January 1, 2000	42,734	\$427	\$155,023	\$ 45,797	\$ (5,860)	\$ --	\$ 195,387
Issuance of common stock	275	3	2,195	--	--	--	2,198
Purchase of treasury stock	--	--	--	--	--	(16,199)	(16,199)
Net Income for the three months ended March 31, 2000	--	--	--	5,697	--	--	5,697
Foreign currency translation adjustment	--	--	--	--	(3,975)	--	(3,975)
Comprehensive income	-----	-----	-----	-----	-----	-----	----- 1,722
Balance at March 31, 2000 (unaudited)	43,009	430	157,218	51,494	(9,835)	(16,199)	183,108
Issuance of common stock	75	1	1,013	--	--	--	1,014
Purchase of treasury stock	--	--	--	--	--	(24,384)	(24,384)
Tax-effect of non-qualified exercise of stock options	--	--	1,465	--	--	--	1,465
Net Income for the nine months ended December 31, 2000	--	--	--	39,941	--	--	39,941
Foreign currency translation adjustment	--	--	--	--	(4,247)	--	(4,247)
Comprehensive income	-----	-----	-----	-----	-----	-----	----- 35,694
Balance at December 31, 2000	43,084	431	159,696	91,435	(14,082)	(40,583)	196,897
Issuance of common stock	32	--	159	--	--	--	159
Net Income for the three months ended March 31, 2001	--	--	--	5,023	--	--	5,023
Foreign currency translation adjustment	--	--	--	--	(4,311)	--	(4,311)
Comprehensive income	-----	-----	-----	-----	-----	-----	----- 712
Balance at March 31, 2001 (unaudited)	43,116	\$431	\$159,855	\$ 96,458	\$(18,393)	\$(40,583)	\$ 197,768
	=====	=====	=====	=====	=====	=====	=====

See accompanying notes to condensed consolidated financial statements.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED MARCH 31, 2001 AND MARCH 31, 2000**  
(Unaudited)

(in thousands)	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income .....	\$ 5,023	\$ 5,697
Depreciation and amortization .....	8,924	9,383
Cumulative effect of accounting change, net of tax ....	--	2,068
Deferred income tax benefit .....	(41)	(2,101)
Loss on disposal of property and equipment .....	217	--
Changes in assets and liabilities:		
Receivables .....	16,809	(18,352)
Prepaid expenses and other current assets .....	367	(1,189)
Deferred charges and other assets .....	(1,212)	4,252
Accounts payable .....	(10,493)	(8,888)
Income taxes payable .....	(1,396)	(1,330)
Accrued employee compensation and benefits .....	(2,995)	1,113
Customer deposits, net of restricted cash .....	--	5,973
Other accrued expenses and current liabilities .....	336	2,856
Deferred revenue .....	736	19,467
Other long-term liabilities .....	(3)	177
	-----	-----
Net cash provided by operating activities .....	16,272	19,126
	-----	-----
Cash flows from investing activities:		
Capital expenditures .....	(8,145)	(19,635)
Proceeds from sale of property and equipment .....	8	--
	-----	-----
Net cash used for investing activities .....	(8,137)	(19,635)
	-----	-----
Cash flows from financing activities:		
Paydowns under revolving line of credit agreements ....	(17,367)	(18,545)
Borrowings under revolving line of credit agreements ..	10,559	31,540
Payments of long-term debt .....	(34)	--
Proceeds from issuance of stock .....	159	2,198
Purchase of treasury stock .....	--	(16,199)
Proceeds from grants .....	150	2,021
	-----	-----
Net cash provided by (used for) financing activities	(6,533)	1,015
	-----	-----
Adjustments for foreign currency translation .....	(4,311)	(3,975)
	-----	-----
Net decrease in cash and cash equivalents .....	(2,709)	(3,469)
Cash and cash equivalents - beginning .....	30,141	31,001
	-----	-----
Cash and cash equivalents - ending .....	\$ 27,432	\$ 27,532
	=====	=====

See accompanying notes to condensed consolidated financial statements.

(Unaudited)

Sykes Enterprises, Incorporated and consolidated subsidiaries ("Sykes" or the "Company") provides outsourced customer management solutions and services. Sykes' Business Solutions group provides professional services in e-commerce, and customer relationship management (CRM) with a focus on business strategy development, project management, business process redesign, change management, knowledge management, education, training and web development. Sykes' Business Services group provides customer care outsourcing services with emphasis on technical support and customer service. These services are delivered through multiple communication channels encompassing phone, e-mail, web and chat. Sykes' services are provided to customers on a worldwide basis primarily within the technology, communications and financial services markets.

#### **NOTE 1 - BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2001 are not necessarily indicative of the results that may be expected for any future quarters or the year ending December 31, 2001. For further information, refer to the consolidated financial statements and notes thereto as of and for the years ended December 31, 2000 and 1999, included in the Company's Form 10-K for the year ended December 31, 2000 as filed with the United States Securities and Exchange Commission ("SEC") on March 27, 2001, which were audited by the Company's predecessor independent accountants.

**ACCOUNTING CHANGE FOR REVENUE RECOGNITION** - During the fourth quarter of 2000, the Company adopted Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the Securities and Exchange Commission. Based on criteria established by SAB 101, adopted retroactive to January 1, 2000, the Company modified its accounting treatment for the recognition of revenue as it related to two revenue sources. First, recognition of grants in excess of building costs received for the development of new technical and customer support centers are deferred until the funds are released from escrow by the local or state government, which generally coincides with completion of the construction of the facility and training of the staff. Previously, recognition of this excess grant income as a reduction of general and administrative costs began when the funds were placed in escrow at the beginning of the construction of the facility. Second, revenues that were recognized as services were performed and as the related fees became collectible under agreements between the Company and its customers are deferred until either a final contract or purchase order has been fully executed.

The cumulative effect of change on prior years resulted in a charge to income of \$2.1 million (net of income taxes of \$1.3 million), or \$0.05 per diluted share, which is included in income for the three months ended March 31, 2000. The effect of these changes for the three months ended March 31, 2000 was to increase income before cumulative effect of the change in accounting principle by \$1.1 million or \$0.02 per diluted share.



(Unaudited)

**NOTE 1 - BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)**

The following unaudited table summarizes the amounts included in the cumulative effect adjustment as of January 1, 2000 that the Company recognized in 2000 for each of the three-month periods ended (in thousands):

	Increase (Decrease) (Unaudited)			
	March 31, 2000	June 30, 2000	September 30, 2000	December 31, 2000
Revenues .....	\$ 1,499	\$ --	\$ --	\$ --
Operating expenses .....	(342)	(184)	(373)	(315)
Income before provision for income taxes.....	1,841	184	373	315
Provision for income taxes .....	713	71	144	122
Net Income .....	\$ 1,128	\$ 113	\$ 229	\$ 193

**DEFERRED GRANTS** - Recognition of income associated with grants for land and the acquisition of buildings, property and equipment is deferred until the grants are released from escrow and recognized as a reduction to general and administrative costs over the corresponding useful lives of the related assets. Any excess amounts over the cost of the building are, only after the grants are released from escrow, recognized as a reduction of certain operational expenses as training costs are incurred at each specific support center. Proceeds from cash grants are released from escrow upon completion and occupancy of the building. Amortization of the deferred grants that is included in income for the three months ended March 31, 2001 and 2000 was \$0.6 million and \$0.6 million, respectively.

**RECENT ACCOUNTING PRONOUNCEMENTS** - Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", is effective for all fiscal years beginning after June 15, 2000. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS No. 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. The Company adopted SFAS No. 133 effective January 1, 2001. The adoption of SFAS No. 133 had no impact on the financial position, results of operations, or cash flows of the Company.

In September 2000, the Financial Accounting Standards Board issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", which is effective for transfers after March 31, 2001. It is effective for disclosures about securitizations and collateral transactions and for recognition and reclassification of collateral for fiscal years ending after December 15, 2000. SFAS No. 140 replaces SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". It revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of the provisions of SFAS No. 125 without reconsideration. The Company has not yet evaluated the potential impact of SFAS No. 140 on its results of operations.

**NOTE 2 - CONTINGENCIES**

The Company is aware of sixteen purported class action lawsuits that have been filed against Sykes and certain of its officers alleging violations of federal securities laws. All of the actions have been consolidated into one case which is pending in the United States District Court for the Middle District of Florida. The plaintiffs purport to assert claims on behalf of a class of purchasers of Sykes' common stock during the period from July 27, 1998 through September 18, 2000. The consolidated action claims violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. Among other things, the consolidated action alleges that during 2000, 1999, and 1998, the Company and certain of its officers made materially false statements concerning the Company's financial condition and its future prospects. The consolidated complaint also claims that

(Unaudited)

**NOTE 2 - CONTINGENCIES (continued)**

certain of the Company's quarterly financial statements during 1999 and 1998 were not prepared in accordance with generally accepted accounting principles. The consolidated action seeks compensatory and other damages, and costs and expenses associated with the litigation. The Company believes these claims are without merit and intends to defend the actions vigorously.

The Company is also aware of a lawsuit filed by Kyrus that asserts functionality issues associated with software that Kyrus had licensed from the Company. At the time of the software license, the Company and Kyrus entered into an agreement which provided for a return of a portion of the convertible preferred stock transferred to the Company in consideration of the license in the event that revenues generated by Kyrus from the software did not reach agreed upon levels. In this lawsuit, Kyrus claims that revenues from the software did not meet the minimum levels agreed upon and that Kyrus is therefore entitled to a return of the convertible preferred stock having a fair value of \$4.5 million at the time of the software license. The Company has not recorded the convertible preferred stock subject to the contingency in the accompanying Condensed Consolidated Balance Sheets as of March 31, 2001 and December 31, 2000. Therefore, in the event the Company is required to return the preferred stock to Kyrus, the return will not impact the Company's financial position or results of operations. This litigation is currently pending in the Court of Common Pleas for Greenville County, South Carolina. This lawsuit is in the very early stages and formal discovery has not yet begun. The Company intends to vigorously defend this lawsuit.

Although the Company intends to vigorously defend these lawsuits, it cannot predict their outcome or the impact they may have on the Company. The Company also cannot predict whether any other suits, claims, or investigations may arise in the future based on the same claims. The outcome of any of these lawsuits or any future lawsuits, claims, or investigations relating to the same subject matter may have a material adverse impact on the Company's financial condition and results of operations.

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

**NOTE 3 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

Sykes presents data in the Condensed Consolidated Statements of Changes in Shareholders' Equity in accordance with Statement of Financial Accounting Standard ("SFAS") No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes rules for the reporting of comprehensive income and its components. Total comprehensive income was approximately \$0.7 million and \$1.7 million for the three months ended March 31, 2001 and 2000, respectively.

Earnings associated with the Company's investment in its foreign subsidiaries are considered to be permanently invested and no provision for United States federal and state income taxes on those earnings or translation adjustments has been provided.

**NOTE 4 - RESTRUCTURING AND OTHER CHARGES**

The Company recorded restructuring and other charges during the second and fourth quarters of 2000 totaling \$30.5 million. Related to the second quarter restructuring and other charges totaling \$9.6 million, the Company consolidated several European and one U.S. distribution and fulfillment center and closed or consolidated six professional services offices. Included in the second quarter 2000 restructuring and other charges is a \$3.5 million lease termination payment related to the corporate aircraft. As a result of the second quarter restructuring, the

(Unaudited)

**NOTE 4 - RESTRUCTURING AND OTHER CHARGES (continued)**

Company reduced the number of employees by 157 during 2000 and expects the remaining lease obligations related to the closed facilities to be completed by June 2001.

The Company also announced, after a comprehensive review of operations, its decision to exit certain non-core lower margin businesses to reduce costs, improve operating efficiencies and focus on its core competencies of technical support, customer service and consulting solutions. As a result, the Company recorded \$20.9 million in restructuring and other charges during the fourth quarter of 2000 related to the closure of its U.S. fulfillment and distribution operations, the consolidation of its Tampa, Florida technical support center into its Charlotte, North Carolina center and the exit of its worldwide localization operations. Included in the fourth quarter 2000 restructuring and other charges is a \$2.4 million severance payment related to the employment contract of the Company's former President. In connection with the fourth quarter restructuring, the Company reduced the number of employees by 245 during the first quarter of 2001 and expects the remaining lease obligations related to the closed facilities to be completed by December 2001.

The major components of restructuring and other charges established during the second and fourth quarters of 2000 are as follows (in thousands):

	Restructuring	Other	Total
	-----	-----	-----
Severance and related costs .....	\$ 1,614	\$ 2,360	\$ 3,974
Lease termination costs .....	1,765	3,639	5,404
Write-down of property and equipment ..	14,088	103	14,191
Write-down of intangible assets .....	6,086	--	6,086
Other .....	813	--	813
	-----	-----	-----
	\$ 24,366	\$ 6,102	\$ 30,468
	=====	=====	=====

A summary of the restructuring and other charges activity for the three months ended March 31, 2001 (none for the comparable period in 2000), is as follows (in thousands):

	Restructuring	Other	Total
	-----	-----	-----
Balance remaining as of January 1, 2001	\$ 2,708	\$ 2,360	\$ 5,068
Reduction in workforce cash outflows ..	(328)	(121)	(449)
Lease termination cash payments .....	(201)	--	(201)
Other cash outflows .....	(109)	--	(109)
	-----	-----	-----
Balance remaining at March 31, 2001 ...	\$ 2,070	\$ 2,239	\$ 4,309
	=====	=====	=====

**NOTE 5 - INCOME TAXES**

The Company's effective tax rate was 38.0 percent and 38.8 percent for the three months ended March 31, 2001 and 2000, respectively. The effective tax rate differs from the statutory federal income tax rate primarily due to the effects of foreign, state and local income taxes, foreign income not subject to federal and state income taxes, non-deductible intangibles and other permanent differences.

(Unaudited)

**NOTE 6 - EARNINGS PER SHARE**

Basic earnings per share are based on the weighted average number of common shares outstanding during the periods. Diluted earnings per share includes the weighted average number of common shares outstanding during the respective periods and the further dilutive effect, if any, from stock options using the treasury stock method. The numbers of shares used in the earnings per share computation are as follows (in thousands):

	THREE MONTHS ENDED	
	MARCH 31, 2001	MARCH 31, 2000
	-----	-----
Basic:		
Weighted average common shares outstanding .....	40,137	42,606
Diluted:		
Dilutive effect of stock options .....	114	296
	-----	-----
Total weighted average diluted shares outstanding	40,251	42,902
	=====	=====

**NOTE 7 - STOCK OPTIONS**

The Company's 2001 Equity Incentive Plan (the "2001 Plan") was adopted by the Company's Board of Directors on March 15, 2001 and approved by the Company's shareholders on April 26, 2001. The 2001 Plan permits the granting of options, stock appreciation rights and other stock-based awards to purchase up to 7.0 million shares of the Company's common stock to eligible employees and certain non-employees, who provide services to the Company, at not less than the fair value at the time the options, stock appreciation rights and other stock-based awards are granted. The term of the options, stock appreciation rights and other stock-based awards granted under the 2001 Plan cannot exceed a period of ten years from the date of grant. No options, stock appreciation rights or other stock-based awards are outstanding under the 2001 Plan as of March 31, 2001.

Upon adoption of the 2001 Plan, the Company terminated the 1996 Employee Stock Option Plan, the 1997 Management Incentive Stock Option Plan and the 2000 Stock Option Plan and the related options available for future grant under these plans of approximately 0.7 million shares, 2.4 million shares and 2.9 million shares, respectively. The options previously granted under these plans are not affected and continue to be governed by their respective plans.

(Unaudited)

**NOTE 8 - SEGMENT REPORTING AND MAJOR CLIENT**

The Company has two reportable segments entitled Business Services and Business Solutions. The Business Services group is comprised of the Company's technical and customer support and distribution and fulfillment businesses. The Business Solutions group provides professional services in e-commerce and customer relationship management (CRM) with a focus on businesses strategy development, project management, business process redesign, change management, knowledge management, education, training and web development. There has been no change in the basis of the Company's segmentation or in the measurement of segment profit as compared with the Annual Report on Form 10-K for the year ended December 31, 2000.

Information about the Company's reportable segments for the first quarter of 2001 compared to the first quarter of 2000 is as follows (in thousands):

	Business Services -----	Business Solutions -----	Other -----	Consolidated Total -----
For the Three Months Ended March 31, 2001:				
Revenue .....	\$130,393	\$ 10,028	\$ --	\$ 140,421
Depreciation and amortization .....	8,831	93	--	8,924
Income (loss) from operations .....	\$ 9,262	\$ (800)	\$ --	\$ 8,462
Other income (expense) .....			(360)	(360)
Provision for income taxes .....			(3,079)	(3,079)
Net income .....				\$ 5,023
				=====
For the Three Months Ended March 31, 2000:				
Revenue .....	\$149,375(1)	\$13,335(2)	\$ --	\$ 162,710
Depreciation and amortization .....	9,175	208	--	9,383
Income from operations .....	\$ 13,395	\$ 530	\$ --	\$ 13,925
Other income (expense) .....			(1,237)	(1,237)
Provision for income taxes .....			(4,923)	(4,923)
Cumulative effect of change in accounting principle .....			(2,068)	(2,068)
Net income .....				\$ 5,697
				=====

Business Services' revenue includes \$14.2 million or 10.1% of consolidated revenues for the three months ended March 31, 2001 and \$0.2 million or 0.1% of consolidated revenues for the three months ended March 31, 2000 from a major provider of communications services.

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(1) Business Services' revenue includes \$26.7 million from SHPS Incorporated, a previously wholly owned subsidiary of the Company, which was sold in June 2000, and U.S. fulfillment and distribution, a business in which the Company exited in connection with the fourth quarter 2000 restructuring. The Company continues to operate its European fulfillment and distribution business.

(2) Business Solutions' revenue includes \$2.5 million from the Company's localization operations, a business in which the Company exited in connection with the fourth quarter 2000 restructuring.

## INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Shareholders of Sykes Enterprises, Incorporated

We have reviewed the accompanying condensed consolidated balance sheet of Sykes Enterprises, Incorporated and subsidiaries (the "Company") as of March 31, 2001, and the related condensed consolidated statements of income, changes in shareholders' equity, and cash flows for the three-month period then ended. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

*/s/ Deloitte & Touche LLP  
Certified Public Accountants*

*Tampa, Florida  
April 23, 2001*

## SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

This discussion should be read in conjunction with the condensed consolidated financial statements and notes included elsewhere in this report and in the Sykes Enterprises, Incorporated (the "Company") Annual Report on Form 10-K for the year ended December 31, 2000 filed with the Securities and Exchange Commission, which were audited by the Company's predecessor independent accountants. Management's discussion and analysis may contain forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations, estimates, forecasts, and projections about the Company, management's beliefs, and assumptions made by management. In addition, other written or oral statements, which constitute forward-looking statements, may be made from time to time by or on behalf of Sykes. Words such as "may," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe the Company's future plans, objectives, or goals also are forward-looking statements. These statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including those discussed below and elsewhere in this report. The Company's actual results may differ materially from what is expressed or forecasted in such forward-looking statements. All forward-looking statements are made as of the date hereof, and Sykes undertakes no obligation to update any such forward-looking statements, whether as a result of new information, future events or otherwise.

Factors that could cause actual results to differ materially from what is expressed or forecasted in such forward-looking statements include, but are not limited to: the marketplace's continued receptivity to Sykes' terms and elements of services offered under Sykes' standardized contract for future bundled service offerings; Sykes' ability to continue the growth of its support service revenues through additional technical and customer support centers; Sykes' ability to leverage its customer relationship practice; Sykes' ability to further penetrate into vertically integrated markets; Sykes' ability to expand revenues within the global markets; Sykes' ability to continue to establish a competitive advantage through sophisticated technological capabilities; uncertainties relating to pending litigation; Sykes' dependence on key clients; Sykes' ability to attract and retain experienced personnel; potential difficulties in continuing to expand and manage growth; Sykes' ability to grow through selective acquisitions and mergers; rapid technological change; Sykes' reliance on technology and computer systems; Sykes' dependence on trend toward outsourcing; risk of emergency interruption of technical and customer support center operations; risks associated with international operations and expansion; existence of substantial competition; dependence on senior management; control by principal shareholder and anti-takeover considerations; volatility of stock price may result in loss of investment; and the risk factors listed from time to time in Sykes' registration statements and reports as filed with the Securities Exchange Commission.

#### RESULTS OF OPERATIONS

##### THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THREE MONTHS ENDED MARCH 31, 2000

###### Revenues

For the three months ended March 31, 2001, the Company recorded consolidated revenues of \$140.4 million, a decrease of \$22.3 million or 13.7%, from \$162.7 million of consolidated revenues for the comparable period during 2000. Exclusive of SHPS, Incorporated ("SHPS"), in which 93.5% of the Company's ownership interest was sold on June 30, 2000, and exclusive of U.S. fulfillment and distribution and the Company's localization operations, from which the Company exited in connection with the fourth quarter 2000 restructuring, revenues increased \$6.1 million or 4.6% for the three months ended March 31, 2001, from \$133.6 million for the comparable period during 2000. This growth in revenue was the result of a \$6.9 million or 5.6% increase in Business Services' revenues, exclusive of SHPS and U.S. fulfillment and distribution operations, and a decrease of \$0.8 million or 7.4% from Business Solutions' revenues, exclusive of the Company's localization operations.

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**RESULTS OF OPERATIONS (continued)**

**Revenues (continued)**

The increase in Business Services' revenues for the three months ended March 31, 2001 was primarily attributable to an increase in new and expanded contracts for technical and customer support services, highlighted by a further diversification into the communications market, partially offset by a decrease from the Company's European fulfillment and distribution services revenues. The decrease in European fulfillment and distribution services revenue for the three months ended March 31, 2001 was primarily attributable to a reduction in business from a single dot.com client, who was undergoing financial restructuring.

The decrease in Business Solutions' revenues for the three months ended March 31, 2001, was due to the decline in the demand for IT staffing services from clients who are aware of the current market environment and have reacted by delaying IT projects.

**Direct Salaries and Related Costs**

Direct salaries and related costs decreased \$13.2 million or 12.9% to \$88.7 million for the three months ended March 31, 2001, from \$101.9 million in 2000. As a percentage of revenues, direct salaries and related costs increased to 63.2% in 2001 from 62.6% for the comparable period in 2000. The decrease in the dollar amount of direct salaries and related costs was primarily attributable to a \$20.2 million decrease in direct salaries and related costs associated with SHPS, U.S. fulfillment and distribution and the Company's localization operations and a \$2.3 million decrease in direct material costs associated primarily with the European fulfillment and distribution services. This decrease was partially offset by a \$10.3 million increase in salaries and benefits due to higher direct labor and benefit costs to support additional technical and customer support centers and associated training costs, fluctuations in client forecasting as a result of market uncertainties and shifts in client mix. As a percentage of revenues, direct salaries and related costs, exclusive of SHPS, U.S. fulfillment and distribution and the Company's localization operations, increased to 63.3% in 2001 from 60.9% for the comparable period in 2000.

**General and Administrative**

General and administrative expenses decreased \$3.7 million or 7.8% to \$43.2 million for the three months ended March 31, 2001, from \$46.9 million in 2000. As a percentage of revenues, general and administrative expenses increased to 30.8% in 2001 from 28.8% for the comparable period in 2000. The decrease in the dollar amount of general and administrative expenses was primarily attributable to an \$8.1 million decrease in general and administrative expenses associated with SHPS, U.S. fulfillment and distribution and the Company's localization operations. This decrease was offset by a \$1.7 million increase in salaries and benefits to support the Company's organic growth, a \$0.9 million increase in legal and professional fees, a \$0.5 million increase in consulting and a \$1.9 million increase in depreciation and amortization associated with facility and capital equipment expenditures incurred in connection with both technology infrastructure and the expansion of the Company's technical and customer support centers. As a percentage of revenues, general and administrative expenses, exclusive of SHPS, U.S. fulfillment and distribution and the Company's localization operations, increased to 30.7% in 2001 from 28.7% for the comparable period in 2000.



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**RESULTS OF OPERATIONS (continued)**

**Other Income and Expense**

Other expense was \$0.4 million during the three months ended March 31, 2001, compared to \$1.2 million during the comparable 2000 period. This decrease was attributable to a decrease of \$1.3 million in interest expense associated with a decrease in the Company's average outstanding debt position. The Company's average debt balance for the first quarter of 2001 was \$5.1 million compared to \$84.6 million for the first quarter of 2000. The decrease in the average debt balance is principally due to the repayment of debt from the proceeds generated from the sale of SHPS, offset by capital expenditures and the Company's repurchase of 3.0 million shares of its common stock during 2000 that are being held as treasury shares.

**Provision for Income Taxes**

The provision for income taxes decreased \$1.8 million to \$3.1 million for the three months ended March 31, 2001 from \$4.9 million for the comparable period in 2000. The decrease in the provision for income taxes was primarily attributable to the decrease in income for the three months ended March 31, 2001. The effective tax rate was 38.0 percent for the three months ended March 31, 2001 and 38.8 percent for the comparable 2000 period. The effective tax rate differs from the statutory federal income tax rate primarily due to the effects of foreign, state and local income taxes, foreign income not subject to federal and state income taxes, non-deductible intangibles and other permanent differences.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's primary sources of liquidity are cash flows generated from operations and from available borrowings under its credit facilities. The Company has utilized its capital resources to make capital expenditures associated primarily with its technical and customer support services, invest in technology applications and tools to further develop the Company's service offerings and for working capital and other general corporate purposes, including the repurchase of its common stock in the open market. In future periods, the Company intends similar uses of any such funds, including possible acquisitions.

In the first quarter of 2001, the Company generated \$16.3 million in cash from operating activities and used \$2.7 million in available cash primarily to invest \$8.1 million in capital expenditures and paydown \$6.8 million in borrowings under the Company's credit facilities.

Net cash flows provided by operating activities for the three months ended March 31, 2001 was \$16.3 million compared to \$19.1 million for the comparable period in 2000. The \$2.8 million decrease in net cash flows provided by operating activities was due to a decrease in net income of \$0.7 million, a net decrease in non-cash expenses of \$0.3 million and a net decrease in assets and liabilities of \$1.8 million. This net decrease in assets and liabilities of \$1.8 million was principally due to a decrease in deferred revenue of \$18.7 million, primarily related to revenue from diagnostic software, and a decrease in accounts payable and other accrued accounts of \$18.4 million offset by a \$35.3 million decrease in receivables. This decrease in receivables included an \$8.8 million decrease in SHPS' receivables, a previously wholly owned subsidiary of the Company, which was sold in June 2000, and a \$26.5 million decrease in receivables primarily due to increased collection efforts.

Capital expenditures, which are generally funded by cash generated from operating activities and borrowings available under its credit facilities, were \$8.1 million for the three months ended March 31, 2001 compared to \$19.6 million for the three months ended March 31, 2000. Capital expenditures for the first quarter of 2001 were \$11.5 million lower than the comparable period of 2000. In the first quarter of 2001, approximately 81% of the capital

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**LIQUIDITY AND CAPITAL RESOURCES (continued)**

expenditures were the result of investing in new and existing technical and customer support centers and 19% was expended for systems infrastructure. In 2001, the Company anticipates capital expenditures in the range of \$45.0 million to \$50.0 million.

The primary sources of cash flows from financing activities are from borrowings under the Company's syndicated credit facility, as amended on May 2, 2000, with a syndicate of lenders (the "Amended Credit Facility"). Pursuant to the terms of the Amended Credit Facility, the amount of the Company's revolving credit facility is \$150.0 million. The \$150.0 million Amended Credit Facility includes a \$10.0 million swingline loan to be used for working capital purposes. In addition, the Company has a \$15.0 million multi-currency credit facility that provides for multi-currency lending. The Amended Credit Facility matures on February 28, 2003, and the multi-currency facility matures on February 28, 2002. At March 31, 2001, the Company had \$27.4 million in cash and \$163.0 million of availability under its credit facilities.

The Company believes that its current cash levels, accessible funds under its credit facilities and cash flows from future operations, will be adequate to meet its debt repayment requirements, continued expansion objectives and anticipated levels of capital expenditures for the foreseeable future.

**QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

The Company's earnings and cash flows are subject to fluctuations due to changes in non-U.S. currency exchange rates. The Company is exposed to non-U.S. exchange rate fluctuations as the financial results of non-U.S. subsidiaries are translated into U.S. dollars in consolidation. As exchange rates vary, those results, when translated, may vary from expectations and adversely impact overall expected profitability. The cumulative translation effects for subsidiaries using functional currencies other than the U.S. dollar are included in accumulated other comprehensive income in shareholders' equity. Movements in non-U.S. currency exchange rates may affect the Company's competitive position, as exchange rate changes may affect business practices and/or pricing strategies of non-United States based competitors. Under its current policy, the Company does not use non-U.S. exchange derivative instruments to manage its exposure to changes in non-U.S. currency exchange rates.

At March 31, 2001, the Company had \$2.0 million in debt outstanding at variable interest rates, which is generally equal to the Eurodollar rate plus an applicable margin. Based on the Company's level of variable rate debt during the first three months of 2001, a one-point increase in the weighted average interest rate would increase the Company's annual interest expense by approximately \$0.3 million. The Company has not historically used derivative instruments to manage its exposure to changes in interest rates.

**FLUCTUATIONS IN QUARTERLY RESULTS**

For the year ended December 31, 2000, quarterly revenues as a percentage of total annual revenues were approximately 27%, 26%, 23% and 24%, respectively, for the first through fourth quarters of the year. The Company has experienced and anticipates that in the future it will continue to experience variations in quarterly revenues. The variations are due to the timing of new contracts and renewal of existing contracts, the timing of expenses incurred to support new business, the timing and frequency of client spending for e-commerce and e-business activities, non-U.S. currency fluctuations, and the seasonal pattern of technical and customer support, and fulfillment and distribution services.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED MARCH 31, 2001**

**PART II - OTHER INFORMATION.**

**ITEM 1 - LEGAL PROCEEDINGS.**

Reference is made to Part I, Item 3 "Legal Proceedings" of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000, filed March 27, 2001. Since March 27, 2001, the Company has not been named as a defendant in any action, which, to the best of the Company's knowledge, could have a material adverse effect on the financial condition or results of operations of the Company other than the actions described below.

**A. Class Action Litigation.**

The Company is aware of sixteen purported class action lawsuits that have been filed against Sykes and certain of its officers alleging violations of federal securities laws. All of the actions have been consolidated into one case which is pending in the United States District Court for the Middle District of Florida. The plaintiffs purport to assert claims on behalf of a class of purchasers of Sykes' common stock during the period from July 27, 1998 through September 18, 2000. The consolidated action claims violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. Among other things, the consolidated action alleges that during 2000, 1999 and 1998, the Company and certain of its officers made materially false statements concerning the Company's financial condition and its future prospects. The consolidated complaint also claims that certain of the Company's quarterly financial statements during 1999 and 1998 were not prepared in accordance with generally accepted accounting principles. The consolidated action seeks compensatory and other damages, and costs and expenses associated with the litigation. The Company believes these claims are without merit and intends to defend the actions vigorously.

The Company is also aware of a lawsuit filed by Kyrus that asserts functionality issues associated with software that Kyrus had licensed from the Company. At the time of the software license, the Company and Kyrus entered into an agreement which provided for a return of a portion of the convertible preferred stock transferred to the Company in consideration of the license in the event that revenues generated by Kyrus from the software did not reach agreed upon levels. In this lawsuit, Kyrus claims that revenues from the software did not meet the minimum levels agreed upon and that Kyrus is therefore entitled to a return of the convertible preferred stock having a fair value of \$4.5 million at the time of the software license. The Company has not recorded the convertible preferred stock subject to the contingency in the accompanying Condensed Consolidated Balance Sheets as of March 31, 2001 and December 31, 2000. Therefore, in the event the Company is required to return the preferred stock to Kyrus, the return will not impact the Company's financial position or results of operations. This litigation is currently pending in the Court of Common Pleas for Greenville County, South Carolina. This lawsuit is in the very early stages and formal discovery has not yet begun. The Company intends to vigorously defend this lawsuit.

Although the Company intends to vigorously defend these lawsuits, it cannot predict their outcome or the impact they may have on the Company. The Company also cannot predict whether any other suits, claims, or investigations may arise in the future based on the same claims. The outcome of any of these lawsuits or any future lawsuits, claims, or investigations relating to the same subject matter may have a material adverse impact on the Company's financial condition and results of operations.

**B. Other Litigation.**

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

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**FOR THE QUARTER ENDED MARCH 31, 2001**

**ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

a. The Annual Meeting of Shareholders was held on April 26, 2001.

b. The following members of the Board of Directors were elected to serve until the 2004 Annual Meeting and until their successors are elected and qualified:

	For ---	Against -----	Abstained -----
H. Parks Helms	36,403,399	--	792,715
Adelaide A. (Alex) Sink	36,405,399	--	790,715
Linda F. McClintock-Greco, M.D	36,402,199	--	793,915

The following member of the Board of Directors, who was appointed by the Board during 2000 to fill a vacancy, was elected to serve until the 2002 Annual Meeting and until his successor is elected and qualified:

	For ---	Against -----	Abstained -----
Thomas F. Skelly	36,405,647	--	790,467

The following member of the Board of Directors, who was appointed by the Board during 2000 to fill a vacancy, was elected to serve until the 2003 Annual Meeting and until his successor is elected and qualified:

	For ---	Against -----	Abstained -----
William J. Meurer	36,405,647	--	790,467

The following members of the Board of Directors whose term of office as a director continued after the meeting:

John H. Sykes	Ernest J. Milani
Furman P. Bodenheimer, Jr.	Iain A. Macdonald
Gordon H. Loetz	

c. The following matters were voted upon at the Annual Meeting of

shareholders:

The proposal to approve the adoption of the Company's 2001 Equity Incentive Plan was approved as follows:

For ---	Against -----	Abstained -----
19,923,966	8,266,562	48,761

The proposal to ratify Deloitte & Touche as the principal independent public accountants for the year 2001 was approved as follows:

For ---	Against -----	Abstained -----
36,758,134	394,531	43,449

d. Not applicable.

**ITEM 5 - OTHER INFORMATION.**

None.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED MARCH 31, 2001**

**ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K.**

(a) Exhibits

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

10.12	Amended and Restated 1996 Non-Employee Director Stock Option Plan
10.32	2001 Equity Incentive Plan
15	Letter regarding unaudited interim financial information

(b) Reports on Form 8-K

Registrant filed a current report on Form 8-K, dated March 14, 2001, with the Commission on March 21, 2001, which announced the engagement of Deloitte & Touche LLP as its principal accountant to audit the consolidated financial statements of the Registrant for the year ended December 31, 2001 and the dismissal of Ernst & Young LLP, effective upon the completion of the audit of the Registrant's consolidated financial statements for the year ended December 31, 2000.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED MARCH 31, 2001**

**SIGNATURES**

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

**SYKES ENTERPRISES, INCORPORATED**  
(Registrant)

*Date: May 7, 2001*  
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*By: /s/ W. Michael Kippnut*  
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*W. Michael Kippnut*  
*Vice President and Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
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**EXHIBIT INDEX**

Exhibit  
Number

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10.12	Amended and Restated 1996 Non-Employee Director Stock Option Plan
10.32	2001 Equity Incentive Plan
15	Letter regarding unaudited interim financial information

**EXHIBIT 10.12**

**SYKES ENTERPRISES, INCORPORATED**

**AMENDED AND RESTATED**

**1996 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN**

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(1) SYKES ENTERPRISES, INCORPORATED AMENDED AND RESTATED 1996 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

1. PURPOSE OF PLAN

The purpose of this Plan is to enable Sykes Enterprises, Incorporated (the "Company") and its Subsidiaries to compete successfully in attracting, motivating and retaining Non-Employee Directors with outstanding abilities by making it possible for them to purchase Shares on terms that will give them a direct and continuing interest in the future success of the businesses of the Company and its Subsidiaries and encourage them to remain as directors of the Company or one or more of its Subsidiaries.

2. DEFINITIONS

For purposes of the Plan, except where the context clearly indicates otherwise, the following terms shall have the meanings set forth below:

- (a) "Board" means the Board of Directors of the Company.
- (b) "Code" means the United States Internal Revenue Code of 1986, as amended.
- (c) "Effective Date" means the effective date of any registration statement with respect to the Shares under the Securities Exchange Act of 1934, as amended.
- (d) "Fair Market Value" means, with respect to a Share, if the Shares are then listed and traded on a registered national or regional securities exchange, or quoted on The National Association of Securities Dealers' Automated Quotation System (including The Nasdaq Stock Market's National Market), the average closing price of a Share on such exchange or quotation system for the five trading days immediately preceding the date of grant of an Option, or, if Fair Market Value is used herein in connection with any event other than the grant of an Option, then such average closing price for the ten trading days immediately preceding the date of such event. If the Shares are not traded on a registered securities exchange or quoted in such a quotation system, the Board shall determine the Fair Market Value of a Share.
- (e) "Non-Employee Director" shall mean any member of the Company's Board of Directors who is not an employee of the Company or any Subsidiary.
- (f) "Option" means an option granted under this Plan, which Option shall not be an incentive stock option within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted tax statute.
- (g) "Optionee" means any person who has been granted an Option which Option has not expired or been fully exercised or surrendered.
- (h) "Plan" means the Company's 1996 Non-Employee Director Stock Option Plan.
- (i) "Rule 16b-3" means Rule 16b-3 promulgated pursuant to Section 16(b) of the Securities Exchange Act of 1934, as amended, or any successor rule.
- (j) "Share" means one share of voting common stock, par value \$.01 per share, of the Company, and such other stock or securities that may be substituted therefor pursuant to Section 5 hereof.
- (k) "Subsidiary" means any "subsidiary corporation" within the meaning of Section 424(f) of the Code.

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(1) Includes any and all amendments to the Plan through February 1, 2001.

### 3. LIMITS ON OPTIONS

The total number of Shares with respect to which Options may be granted under the Plan shall not exceed in the aggregate 450,000 Shares, subject to adjustment as provided in Section 5 hereof. If any Option expires, terminates or is terminated for any reason prior to its exercise in full, the Shares that were subject to the unexercised portion of such Option shall be available for future grants under the Plan.

### 4. GRANTING AND TERMS OF OPTIONS

(a) Each Non-Employee Director shall on the Effective Date automatically be granted an Option to purchase 7,500 Shares. Thereafter, on the date on which a Non-Employee Director, other than a Non-Employee Director who is serving as such on the Effective Date, is first elected or appointed as a Non-Employee Director during the existence of the Plan, such Non-Employee Director shall automatically be granted an Option to purchase 7,500 Shares.

(b) Each Non-Employee Director (if he or she continues to serve in such capacity) shall, on the day following the annual meeting of shareholders in each year during the time the Plan is in effect, automatically be granted an Option to purchase 7,500 Shares; provided, however, that a person who is first elected as a Non-Employee Director on the date of an annual meeting of shareholders and who receives on that date an option pursuant to Section 4. (a) hereof shall not be eligible to begin to receive grants pursuant to this Section 4.(b) until the day following the next succeeding annual meeting of shareholders.

(c) Notwithstanding the provisions of Section 4. (a) and 4. (b) hereof, Options shall be automatically granted to Non-Employee Directors under the Plan only for so long as the Plan remains in effect and a sufficient number of Shares are available hereunder for the granting of such Options.

(d) The exercise price of each Share subject to an Option shall be equal to 100% of the Fair Market Value of the Shares on the date of grant of such Option.

(e) Options shall not be assignable or transferable by the Optionee other than by will or by the laws of descent and distribution except that the Optionee may, with the consent of the Board of Directors, transfer without consideration Options to the Optionee's spouse, children or grandchildren (or to one or more trusts for the benefit of any such family members or to one or more partnerships in which any such family members are the only partners).

(f) Each Option shall expire and all rights thereunder shall end at the expiration of ten (10) years after the date on which it was granted, subject in all cases to earlier expiration as provided in subsections (g) and (h) of this Section 4.

(g) During the life of an Optionee, an Option shall be exercisable only by such Optionee and only within one (1) month after the date on which the Optionee ceases to be a Non-Employee Director, other than by reason of the Optionee's death or resignation from the Board with the consent of the Company as provided in subsection (h) of this Section 4, but only if and to the extent the Option was exercisable immediately prior to such date, and subject to the provisions of the subsections (f) and (i) of this Section 4. If the Optionee is removed as a Director for cause (as defined in the Company's Articles of Incorporation, as amended from time to time), all Options of the Optionee shall terminate immediately on the date of removal.

(h) If an Optionee: (i) dies while a Non-Employee Director or within the period when an Option could have otherwise been exercised by the Optionee; or (ii) ceases to be a Non-Employee Director as a result of such Optionee's resignation from the Board, provided that the Company has consented in writing to such Optionee's resignation, then, in each such case, such Optionee, or the duly authorized representatives of such Optionee, shall have the right, at any time within one (1) year after the death or after such resignation of the Optionee, as the case may be, and prior to the termination of the Option pursuant to subsections (f) and (i) of this Section 4, to exercise any Option to the extent such Option was exercisable by the Optionee immediately prior to such Optionee's death or resignation.

(i) The Optionee may exercise the Option (subject to the limitations on exercise set in subsection (f) of this Section 4), in whole or in part, as follows: (i) except as otherwise stated herein, the Option may not be exercised to any extent prior to one (1) year following the date of grant; and (ii) the Option may be exercised to the

extent of 33% of the Shares subject to such Option after one year following the date of grant and may be exercised to the extent of an additional 33% of the Shares subject to such Option after each of the second and third years following the date of grant; provided, however, that in the event a Non-employee Director serves his entire initial term as a Director, all Options granted to a director thereunder shall become immediately exercisable at such time as the director serves the entire initial term as a director of the Corporation.

(j) An Option may be exercised in whole at one time or in part from time to time, subject to subsection (i) of this Section 4.

(k) Options granted pursuant to the Plan shall be evidenced by an agreement in writing setting forth the material terms and conditions of the grant, including, but not limited to, the number of Shares subject to Options.

(l) In addition to the automatic Option grants made to Non-Employee Directors pursuant to Section 4(a) and 4(b), the Committee and the Board are authorized to grant Options to Non-Employee Directors selected by the Committee or the Board. Subject to the provisions of the Plan, the Committee and the Board shall have the authority to select the Non-Employee Directors to whom Options will be awarded under the Plan, to determine the number of Shares to be included in such Options, and to determine such other terms and conditions of such Options. The date on which the Committee or the other terms and conditions of such Options. The date on which the Committee or the Board approves the grant of an Option shall be considered the date on which such Option is granted, unless the Committee or the Board provides for a specific date of grant which is subsequent to the date of such approval.

(m) The Board and the Committee have the authority to establish vesting and exercise restrictions with respect to Options granted pursuant to Section 4(l) that are consistent with such restrictions set forth in the Plan, including without limitation the restrictions set forth in Section 4(i). In the absence of any vesting or exercise restrictions established by the Board or the Committee, Options granted pursuant to Section 4(l) shall be subject to the vesting and exercise restrictions set forth in Plan, including without limitation Section 4(i).

(n) The Board and the Committee are authorized to modify, amend, or waive any conditions or other restrictions with respect to Options, including conditions regarding the exercise of Options.

## 5. EFFECT OF CHANGES IN CAPITALIZATION

(a) If the number of outstanding Shares is increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of any recapitalization, reclassification, stock split, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, or other increase or decrease in such shares effected without receipt of consideration by the Company, a proportionate and appropriate adjustment shall be made by the Board of Directors in (i) the number and type of Shares subject to the Plan and which thereafter may be made the subject of Options under the Plan, and (ii) the number and kind of shares for which Options are outstanding, so that the proportionate interest of the Optionee immediately following such event shall, to the extent practicable, be the same as immediately prior to such event. Any such adjustment in outstanding Options shall not change the aggregate option price payable with respect to Shares subject to the unexercised portion of the Options outstanding but shall include a corresponding proportionate adjustment in the option price per Share.

(b) Subject to Section 5.(c) hereof, if the Company shall be the surviving corporation in any reorganization, merger, share exchange or consolidation of the Company with one or more other corporations or other entities, any Option theretofore granted shall pertain to and apply to the securities to which a holder of the number of Shares subject to such Option would have been entitled immediately following such reorganization, merger, share exchange or consolidation, with a corresponding proportionate adjustment of the option price per Share so that the aggregate option price thereafter shall be the same as the aggregate option price of the Shares remaining subject to the Option immediately prior to such reorganization, merger, share exchange or consolidation.

(c) In the event of: (i) the adoption of a plan of reorganization, merger, share exchange or consolidation of the Company with one or more other corporations or other entities as a result of which the holders of the Shares as a group would receive less than fifty percent (50%) of the voting power of the capital stock or other interests of the surviving or resulting corporation or entity; (ii) the adoption of a plan of liquidation or the approval of the dissolution of the Company; (iii) the approval by the Board of an agreement providing for the sale or transfer

of the assets of the Company; or (iv) the acquisition of more than twenty percent (20%) of the outstanding shares by any person within the meaning of Rule 13(d)(3) under the Securities Exchange Act of 1934 if such acquisition is not preceded by a prior expression of approval by the Board, then, in each such case, any Option granted hereunder shall become immediately exercisable in full, subject to any appropriate adjustments in the number of Shares subject to such Option and the option price, regardless of any provision contained in the Plan with respect thereto limiting the exercisability of the Option for any length of time. Notwithstanding the foregoing, if a successor corporation or other entity as contemplated in clause (i) or (iii) of the preceding sentence agrees to assume the outstanding Options or to substitute substantially equivalent options, then the outstanding Options issued hereunder shall not be immediately exercisable, but shall remain exercisable in accordance with the terms of the Plan and the applicable stock option agreements.

(d) Adjustments under this Section 5 relating to Shares or securities of the Company shall be made by the Board, whose determination in that respect shall be final and conclusive. Options subject to grant or previously granted under the Plan at the time of any event described in this Section 5 shall be subject to only such adjustments as shall be necessary to maintain the proportionate interest of the Options and preserve, without exceeding, the value of such Options. No fractional Shares or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding upward to the nearest whole Share or unit.

(e) The grant of an Option pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge, consolidate, dissolve or liquidate, or to sell or transfer all or any part of its business or assets.

## 6. DELIVERY AND PAYMENT FOR SHARES

(a) No Shares shall be delivered upon the exercise of an Option until the option price for the Shares acquired has been paid in full. No shares shall be issued or transferred under the Plan unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Board. Any Shares issued by the Company to an Optionee upon exercise of an Option may be made only in strict compliance with and in accordance with applicable state and federal securities laws.

(b) Payment of the option price for the Shares purchased pursuant to the exercise of an Option shall be made: (i) in cash or by check payable to the order of the Company; (ii) through the tender to the Company of Shares, which Shares shall be valued, for purposes of determining the extent to which the option price has been paid thereby, at their Fair Market Value on the date of exercise; or (iii) by a combination of the methods described in (i) and (ii) hereof. Payment also may be made in accordance with a cashless exercise program under which, if so instructed by the Optionee, Shares may be issued directly to the Optionee's broker upon receipt of the option price in cash from the broker.

## 7. NO CONTINUATION AS A DIRECTOR AND DISCLAIMER OF RIGHTS

No provision in the Plan or in any Option granted or option agreement entered into pursuant to the Plan shall be construed to confer upon any individual the right to remain a director of the Company or any Subsidiary. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any Optionee or beneficiary under the terms of the Plan. An Optionee shall have none of the rights of a shareholder of the Company until all or some of the Shares covered by an Option are fully paid and issued to such Optionee.

## 8. ADMINISTRATION

The Plan is intended to meet the requirements of Rule 16b-3(c)(2)(ii) adopted under the Securities Exchange Act of 1934, as amended, and accordingly is intended to be self-governing. To this end, the Plan requires no discretionary action by any administrative body with regard to any transaction under the Plan. To the extent, if any, that any questions of interpretation arise, these shall be resolved by the Board.

## 9. NO RESERVATION OF SHARES

The Company shall be under no obligation to reserve or to retain in its treasury any particular number of Shares in connection with its obligations hereunder.

## 10. AMENDMENT OF PLAN

The Board, without further action by the shareholders, may amend this Plan from time to time as it deems desirable; provided, that (i) no such amendment shall be made without shareholder approval if such approval would be required to comply with Rule 16b-3 and (ii) the provisions of Sections 4.(a) and 4.(b) shall not be amended more than once every six months, other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or the rules and regulations promulgated thereunder.

## 11. TERMINATION OF PLAN

This Plan shall terminate ten (10) years from the Effective Date. The Board may, in its discretion, suspend or terminate the Plan at any time prior to such date, but such termination or suspension shall not adversely affect any right or obligation with respect to any outstanding Option.

## 12. EFFECTIVE DATE

The Plan shall become effective on the Effective Date and Options hereunder may be granted at any time on or after that date, subject to approval of the Plan by the Company's shareholders within one year after the Effective Date by a majority of the votes cast at a duly held meeting of the shareholders of the Company at which a quorum representing a majority of all outstanding stock is present, either in person or by proxy, and in a manner that satisfies the requirements of Rule 16b-3. Upon approval of the Plan by the shareholders of the Company as set forth above, all Options granted under the Plan on or after the Effective Date shall be fully effective as if the shareholders of the Company had approved the Plan on the Effective Date.

**EXHIBIT 10.32**

**SYKES ENTERPRISES, INCORPORATED  
2001 EQUITY INCENTIVE PLAN**

(Effective as of April 26, 2001)

**SECTION 1. PURPOSE AND DEFINITIONS**

(a) Purpose. This Plan, known as the "Sykes Enterprises, Incorporated 2001 Equity Incentive Plan", is intended to provide incentives to certain employees of and certain non-employees who provide services to Sykes Enterprises, Incorporated and its subsidiaries, in order to encourage them to remain in the employ of or to faithfully provide services to the Company and its subsidiaries and to increase their interest in the Company's success. It is intended that this purpose be effected through awards or grants of stock options, stock appreciation rights, and various other rights with respect to shares of the Company's common stock, as provided herein, to such eligible persons.

(b) Definitions. The following terms shall have the following respective meanings unless the context requires otherwise:

- (1) The term "Administrator" shall mean the Compensation Committee of the Board or such other committee, individual or individuals appointed or delegated authority pursuant to Section 2 to administer the Plan.
- (2) The term "Affiliate" or "Affiliates" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.
- (3) The term "Beneficial Owner" shall mean beneficial owner as defined in Rule 13d-3 under the Exchange Act.
- (4) The term "Board" shall mean the Board of Directors of Sykes Enterprises, Incorporated.
- (5) The term "Change in Control" shall mean (i) the adoption of a plan of reorganization, merger, share exchange or consolidation of the Company with one or more other corporations or other entities as a result of which the holders of the Stock as a group would receive less than fifty percent (50%) of the voting power of the capital stock or other interests of the surviving or resulting corporation or entity; (ii) the adoption of a plan of liquidation or the approval of the dissolution of the Company; (iii) the approval by the Board of an agreement providing for the sale or transfer (other than as a security for obligations of the Company or any Subsidiary) of substantially all of the assets of the Company, other than a sale or transfer to an entity at least seventy-five percent (75%) of the combined voting power of the voting securities of which are owned by persons in substantially the same proportions as their ownership of the Company immediately prior to such sale; or (iv) the acquisition of more than fifty percent (50%) of the outstanding Stock by any person within the meaning of Rule 13(d)(3) under the Exchange Act, if such acquisition is not preceded by a prior expression of approval by the Board, provided that the term "person" shall not include (A) the Company or any of its Subsidiaries, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a Subsidiary, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock in the Company.
- (6) The term "Code" shall mean the Internal Revenue Code of 1986, or any successor thereto, as the same may be amended and in effect from time to time.
- (7) The term "Company" shall mean Sykes Enterprises, Incorporated.
- (8) The term "Employee" shall mean a person who is employed by the Company or any Subsidiary, including an officer or director of the Company or any Subsidiary who is also an employee of the Company or any Subsidiary.

- (9) The term "Exchange Act" shall mean the Securities Exchange Act of 1934, or any successor thereto, as the same may be amended and in effect from time to time.
- (10) The term "Fair Market Value" shall mean, with respect to a share of Stock, if the Stock is then listed and traded on a registered national or regional securities exchange, or quoted on The National Association of Securities Dealers' Automated Quotation System (including The Nasdaq Stock Market's National Market), the average closing price of a share of Stock on such exchange or quotation system for the five trading days immediately preceding the date of grant of an Option or Stock Appreciation Right, or, if Fair Market Value is used herein in connection with any event other than the grant of an Option or Stock Appreciation Right, then such average closing price for the five trading days immediately preceding the date of such event. If the Stock is not traded on a registered securities exchange or quoted in such a quotation system, the Administrator shall determine the Fair Market Value of a share of Stock.
- (11) The term "Incentive Stock Option" means an option granted under this Plan and which is an incentive stock option within the meaning of section 422 of the Code, or the corresponding provision of any subsequently enacted tax statute.
- (12) The term "Option" or "Options" shall mean the option to purchase Stock in accordance with Section 4 on such terms and conditions as may be prescribed by the Administrator, whether or not such option is an Incentive Stock Option.
- (13) The term "Other Stock-Based Awards" shall mean awards of Stock or other rights made in accordance with Section 5 on such terms and conditions as may be prescribed by the Administrator.
- (14) The term "Participant" shall mean an Employee who has been designated for participation in the Plan.
- (15) The term "Performance Goals" shall mean one or more business criteria based on individual, business unit, group, Company or other performance criteria selected by the Administrator.
- (16) The term "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.
- (17) The term "Plan" shall mean the Sykes Enterprises, Incorporated 2001 Equity Incentive Plan, as the same may be amended and in effect from time to time.
- (18) The term "Plan Awards" or "Awards" shall mean awards or grants of stock Options and various other rights with respect to shares of Stock.
- (19) The term "Stock Appreciation Right" shall mean the right to receive, without payment to the Company, an amount of cash or Stock as determined in accordance with Section 4, based on the amount by which the Fair Market Value of a share of Stock on the relevant valuation date exceeds the grant price.
- (20) The term "Stock" shall mean shares of the Company's common stock, par value \$.01 per share.
- (21) The term "Subsidiary" shall mean any "subsidiary corporation" within the meaning of Section 424(f) of the Code.
- (22) The term "Ten Percent Stockholder" shall mean an individual who owns stock possessing more than ten percent (10%) of the combined voting power of all classes of stock of the Company or of its parent or subsidiary corporations within the meaning of Code section 422.

## SECTION 2. ADMINISTRATION

The Plan shall be administered by the Compensation Committee of the Board, or by any other committee appointed by the Board that shall consist of not fewer than two members of the Board, each of whom shall qualify (at the time of appointment to the committee and during all periods of service on the committee) in all respects as a "non-employee director" as defined in Rule 16b-3 under the Exchange Act and as an outside director as defined in Section 162(m) of the Code the regulations thereunder. The Administrator shall administer the Plan and perform such other functions as are assigned to it under the Plan. The Administrator is authorized, subject to the provisions of the Plan, from time to time, to establish such rules and regulations as it may deem appropriate for the proper administration of the Plan, and to make such determinations under, and such interpretations of, and to take such steps in connection with, the Plan and the Plan Awards as it may deem necessary or advisable, in each case in its sole discretion. The Administrator's decisions and determinations under the Plan need not be uniform and may be made selectively among Participants, whether or not they are similarly situated. Any authority granted to the Administrator may also be exercised by the Board. To the extent that any permitted action taken by the Board conflicts with any action taken by the Administrator, the Board action shall control. To the extent permitted by applicable law, the Administrator may delegate any or all of its powers or duties under the Plan, including, but not limited to, its authority to make awards under the Plan to grant waivers pursuant to Section 7, to such person or persons as it shall appoint, pursuant to such conditions or limitations as the Administrator may establish; provided, however, that the Administrator shall not delegate its authority to amend or modify the Plan pursuant to the provisions of Section 13(b). To the extent of any such delegation, the term "Administrator" when used herein shall mean and include any such delegate.

## SECTION 3. STOCK AVAILABLE FOR PLAN AWARDS

(a) **Stock Subject to Plan.** The Stock to be subject to or related to Plan Awards may be either authorized and unissued shares or shares held in the treasury of the Company. The maximum number of shares of Stock with respect to which Plan Awards may be granted under the Plan, subject to adjustment in accordance with the provisions of Section 10, shall be 6,043,646.

(b) **Computation of Stock Available for Plan Awards.** For the purpose of computing the total number of shares of Stock remaining available for Plan Awards under this Plan at any time while the Plan is in effect, there shall be debited against the total number of shares determined to be available pursuant to subsections (a) and (c) of this Section 3, (1) the maximum number of shares of Stock subject to issuance upon exercise of outstanding Options or outstanding Stock Appreciation Rights granted under this Plan, and (2) the maximum number of shares of Stock related to outstanding Other Stock-Based Awards granted under this Plan, as determined by the Administrator in each case as of the dates on which such Plan Awards were granted.

(c) **Terminated, Expired or Forfeited Plan Awards.** The shares involved in the unexercised or undistributed portion of any terminated, expired or forfeited Plan Award shall be made available for further Plan Awards.

(d) **Limit on Individual Awards.** Except as otherwise determined by the Administrator, no Participant shall, in any calendar year, be granted any Options, Stock Appreciation Rights, or Other Stock-Based Awards pursuant to which such Participant may acquire more than 100,000 shares of Stock in the aggregate, subject to adjustment as provided in Section 10 of this Plan.

## SECTION 4. OPTIONS AND STOCK APPRECIATION RIGHTS

(a) **Grant of Options.**

(1) The Administrator, at any time and from time to time while the Plan is in effect, may grant Options to such Employees as the Administrator may select, subject to the provisions of this Section 4 and Section 3. Subject to any limitations set forth in the Plan, the Administrator shall have complete discretion in determining: (a) the eligible individuals to be granted an Option;

(b) the number of shares of Stock to be subject to the Option; (c) whether the Option is to be an Incentive Stock Option or a nonqualified stock option; provided that,



Incentive Stock Options may be granted only to employees of the Company or a Subsidiary; and (d) any other terms and conditions of the Option as determined by the Administrator in its sole discretion.

(2) Unless otherwise determined by the Administrator, Incentive Stock Options: (a) will be exercisable at a purchase price per share of not less than One Hundred percent (100%) (or, in the case of a Ten Percent Stockholder, one hundred and ten percent (110%)) of the Fair Market Value of the Stock on the date of grant; (b) will be exercisable over not more than ten (10) years (or, in the case of a Ten Percent Stockholder, five (5) years) after the date of grant;

(c) will terminate not later than three (3) months after the Participant's termination of employment for any reason other than disability or death; (d) will terminate not later than twelve (12) months after the Participant's termination of employment as a result of a disability (within the meaning of Code section 424); and (e) will comply in all other respects with the provisions of Code section 422.

(3) Nonqualified stock options will be exercisable at purchase prices of not less than one hundred percent (100%) of the Fair Market Value of the Stock on the date of grant, unless otherwise determined by the Administrator. Nonqualified stock options will be exercisable during such periods or on such date as determined by the Administrator and shall terminate at such time as the Administrator shall determine. Nonqualified stock options shall be subject to such terms and conditions as are determined by the Administrator; provided that any Option granted to a Section 162(m) Participant shall either have a purchase price of not less than one hundred percent (100%) of the Fair Market Value of the Stock on the date of grant or be subject to the attainment of such Performance Goals as are established by the Administrator, unless otherwise determined by the Administrator.

(4) Each award agreement evidencing an Incentive Stock Option shall provide that to the extent the aggregate Fair Market Value of Stock (as determined on the date of grant), with respect to which Incentive Stock Options granted under the Plan, or any other plan of the Company or its Subsidiaries, are exercisable by a Participant for the first time during any calendar year exceeds \$100,000, then such option as to the excess shall be treated as a nonqualified stock option.

(b) Grant of Stock Appreciation Rights.

(1) The Administrator, at any time and from time to time while the Plan is in effect, may grant Stock Appreciation Rights to such Employees as it may select, subject to the provisions of this Section 4 and Section 3. Each Stock Appreciation Right may relate to all or a portion of a specific Option granted under the Plan and may be granted concurrently with the Option to which it relates or at any time prior to the exercise, termination or expiration of such Option (a "Tandem SAR"), or may be granted independently of any Option, as determined by the Administrator. If the Stock Appreciation Right is granted independently of an Option, the grant price of such right shall be the Fair Market Value of Stock on the date of grant of such Stock Appreciation Right; provided, however, that the Administrator may, in its discretion, fix a grant price in excess of the Fair Market Value of Stock on such grant date.

(2) Upon exercise of a Stock Appreciation Right, the Participant shall be entitled to receive, without payment to the Company, either (A) that number of shares of Stock determined by dividing (i) the total number of shares of Stock subject to the Stock Appreciation Right being exercised by the Participant, multiplied by the amount by which the Fair Market Value of a share of Stock on the day the right is exercised exceeds the grant price (such amount being hereinafter referred to as the "Spread"), by (ii) the Fair Market Value of a share of Stock on the exercise date; or (B) cash in an amount determined by multiplying (i) the total number of shares of Stock subject to the Stock Appreciation Right being exercised by the Participant, by (ii) the amount of the Spread; or (C) a combination of shares of Stock and cash, in amounts determined as set forth in clauses (A) and (B) above, as determined by the Administrator in its sole discretion; provided, however, that, in the case of a Tandem SAR, the total number of shares which may be received upon exercise of a Stock Appreciation Right for Stock shall not exceed the total number of shares subject to the related Option or portion thereof, and the total amount of cash which may be received upon exercise of a Stock Appreciation Right for cash shall not exceed the Fair Market Value on the date of exercise of the total number of shares subject to the related Option or portion thereof.

(c) Terms and Conditions.

(1) Each Option and Stock Appreciation Right granted under the Plan shall be exercisable on such date or dates, during such period, for such number of shares and subject to such further conditions, including but not limited to the attainment of Performance Goals, as shall be determined by the Administrator in its sole discretion and set forth in the provisions of the award agreement with respect to such Option and Stock Appreciation Right; provided, however, that a Tandem SAR shall not be exercisable prior to or later than the time the related Option could be exercised; and provided, further, that in any event no Option or Stock Appreciation Right shall be exercised beyond ten (10) years from the date of grant.

(2) The Administrator may impose such conditions as it may deem appropriate upon the exercise of an Option or a Stock Appreciation Right, including, without limitation, a condition that the Option or Stock Appreciation Right may be exercised only in accordance with rules and regulations adopted by the Administrator from time to time.

(3) With respect to Options issued with Tandem SARs, the right of a Participant to exercise the Tandem SAR shall be cancelled if and to the extent the related Option is exercised, and the right of a Participant to exercise an Option shall be cancelled if and to the extent that shares covered by such Option are used to calculate shares or cash received upon exercise of the Tandem SAR.

(4) If any fractional share of Stock would otherwise be issued to a Participant upon the exercise of an Option or Stock Appreciation Right, the Participant shall be paid a cash amount equal to the same fraction of the Fair Market Value of the Stock on the date of exercise.

(d) Award Agreement. Each Option and Stock Appreciation Right shall be evidenced by an award agreement in such form and containing such provisions not inconsistent with the provisions of the Plan as the Administrator from time to time shall approve.

(e) Payment for Option Shares.

(1) Payment for shares of Stock purchased upon exercise of an Option granted hereunder shall be made in such manner as is provided in the applicable award agreement.

(2) Any payment for shares of Stock purchased upon exercise of an Option granted hereunder shall be made in cash. Notwithstanding the foregoing, if permitted by the Award Agreement or otherwise permitted by the Administrator, the payment may be made by delivery of shares of Stock beneficially owned by the Participant, or by a combination of cash and Stock, at the election of the Participant; provided, however, that any shares of Stock so delivered shall have been beneficially owned by the Participant for a period of not less than six (6) months prior to the date of exercise. Any such shares of Stock so delivered shall be valued at their Fair Market Value on the date of such exercise. The Administrator shall determine whether and if so the extent to which actual delivery of share certificates to the Company shall be required. The Administrator also may authorize payment in accordance with a cashless exercise program under which, if so instructed by the Participant, Stock may be issued directly to the Participant's broker upon receipt of the Option purchase price in cash directly to the broker.

(3) To the extent that the payment of the exercise price for the Stock purchased pursuant to the exercise of an Option is made with shares of Stock as provided in this Section 4(e)(2), then, at the discretion of the Administrator, the Participant may be granted a replacement Option under the Plan to purchase a number of shares of Stock equal to the number of shares tendered as permitted in Section 4(e)(2) hereof, with an exercise price per share equal to the Fair Market Value on the date of grant of such replacement Option and with a term extending to the expiration date of the original Option.

## SECTION 5. STOCK AND OTHER STOCK-BASED AND COMBINATION AWARDS

(a) Grants of Other Stock-Based Awards. The Administrator, at any time and from time to time while the Plan is in effect, may grant Other Stock-Based Awards to such Employees as it may select. Such Plan Awards pursuant to which Stock is or may in the future be acquired, or Plan Awards valued or determined in whole

or part by reference to or otherwise based on Stock, may include, but are not limited to, awards of restricted Stock or Plan Awards denominated in the form of "stock units", grants of so-called "phantom stock" and options containing terms or provisions differing in whole or in part from Options granted pursuant to

Section 4. Other Stock-Based Awards may be granted either alone, in addition to, in tandem with or as an alternative to any other kind of Plan Award, grant or benefit granted under the Plan or under any other employee plan of the Company or Subsidiary, including a plan of any acquired entity. Each Other Stock-Based Award shall be evidenced by an award agreement in such form as the Administrator may determine.

(b) Terms and Conditions. Subject to the provisions of the Plan, the Administrator shall have the authority to determine the time or times at which Other Stock-Based Awards shall be made, the number of shares of Stock or stock units and the like to be granted or covered pursuant to such Plan Awards (subject to the provisions of Section 3) and all other terms and conditions of such Plan Awards, including, but not limited to, whether such Plan Awards shall be subject to the attainment of Performance Goals, and whether such Plan Awards shall be payable or paid in cash, Stock or otherwise.

(c) Consideration for Other Stock-Based Awards. In the discretion of the Administrator, any Other Stock-Based Award may be granted as a Stock bonus for no consideration other than services rendered.

(d) Dividend Equivalents on Plan Awards.

(1) The Administrator may determine that a Participant to whom an Other Stock-Based Award is granted shall be entitled to receive payment of the same amount of cash that such Participant would have received as cash dividends if, on each record date during the performance or restriction period relating to such Plan Award, such Participant had been the holder of record of a number of shares of Stock subject to the Award (as adjusted pursuant to Section 10). Any such payment may be made at the same time as a dividend is paid or may be deferred until such later date as is determined by the Administrator in its sole discretion. Such cash payments are hereinafter called "dividend equivalents".

(2) Notwithstanding the provisions of subsection (d)(1), the Administrator may determine that, in lieu of receiving all or any portion of any such dividend equivalent in cash, a Participant shall receive an award of full shares of Stock having a Fair Market Value approximately equal to the portion of such dividend equivalent that was not paid in cash. Certificates for shares of Stock so awarded may be issued as of the payment date for the related cash dividend or may be deferred until a later date, and the shares of Stock covered thereby may be subject to the terms and conditions of the Plan Award to which it relates (including but not limited to the attainment of any Performance Goals) and the terms and conditions of the Plan, all as determined by the Administrator in its sole discretion.

## SECTION 6. AWARDS TO EMPLOYEES OUTSIDE OF THE UNITED STATES

In order to facilitate the granting of Plan Awards to Participants who are foreign nationals or who are employed outside of the United States of America, the Administrator may provide for such special terms and conditions, including without limitation substitutes for Plan Awards, as the Administrator may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Such substitutes for Plan Awards may include a requirement that the Participant receive cash, in such amount as the Administrator may determine in its sole discretion, in lieu of any Plan Award or share of Stock that would otherwise have been granted to or delivered to such Participant under the Plan. The Administrator may approve any supplements to, or amendments, restatements or alternative versions of the Plan as it may consider necessary or appropriate for purposes of this Section 6 without thereby affecting the terms of the Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such documents as having been approved and adopted pursuant to properly delegated authority; provided, however, that no such supplements, amendments, restatements or alternative versions shall include any provision that is inconsistent with the terms of the Plan as then in effect. Participants subject to the laws of a foreign jurisdiction may request copies of, or the right to view, any materials that are required to be provided by the Company pursuant to the laws of such jurisdiction.

## SECTION 7. PAYMENT OF PLAN AWARDS AND CONDITIONS THEREON

(a) Issuance of Shares. Certificates for shares of Stock issuable pursuant to a Plan Award shall be issued to and registered in the name of the Participant who received such Award. The Administrator may require that such certificates bear such restrictive legend as the Administrator may specify and be held by the Company in escrow or otherwise pursuant to any form of agreement or instrument that the Administrator may specify. If the Administrator has determined that deferred dividend equivalents shall be payable to a Participant with respect to any Plan Award pursuant to Section 5(d), then concurrently with the issuance of such certificates, the Company shall deliver to such Participant a cash payment or additional shares of Stock in settlement of such dividend equivalents.

(b) Substitution of Shares. Notwithstanding the provisions of this subsection (b) or any other provision of the Plan, the Administrator may specify that a Participant's Plan Award shall not be represented by certificates for shares of Stock but shall be represented by rights approximately equivalent (as determined by the Administrator) to the rights that such Participant would have received if certificates for shares of Stock had been issued in the name of such Participant in accordance with subsection (a) (such rights being called "Stock Equivalents"). Subject to the provisions of Section 10 and the other terms and provisions of the Plan, if the Administrator shall so determine, each Participant who holds Stock Equivalents shall be entitled to receive the same amount of cash that such Participant would have received as dividends if certificates for shares of Stock had been issued in the name of such Participant pursuant to subsection (a) covering the number of shares equal to the number of shares to which such Stock Equivalents relate. Notwithstanding any other provision of the Plan to the contrary, the Stock Equivalents may, at the option of the Administrator, be converted into an equivalent number of shares of Stock or, upon the expiration of any restriction period imposed on such Stock Equivalents, into cash, under such circumstances and in such manner as the Administrator may determine.

(c) Effect of Competitive Activity. Anything contained in the Plan to the contrary notwithstanding, if the employment of any Participant shall terminate, for any reason other than death, while any Plan Award granted to such Participant is outstanding hereunder, and such Participant has not yet received the Stock covered by such Plan Award or otherwise received the full benefit of such Plan Award, such Participant, if otherwise entitled thereto, shall receive such Stock or benefit only if, during the entire period from the date of such Participant's termination to the date of such receipt, such Participant shall have (1) made himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to and otherwise cooperate with the Company or any Subsidiary with respect to any matter that shall have been handled by him or her or under his or her supervision while he or she was in the employ of the Company or of any Subsidiary, and (2) refrained from engaging in any activity that is directly or indirectly in competition with any activity of the Company or any Subsidiary. In the event of a Participant's failure to comply with any condition set forth in this subsection (c), such Participant's rights under any Plan Award shall be forfeited and cancelled forthwith; provided, however, that the failure to comply with such condition may at any time (whether before, at the time of or subsequent to termination of employment) be waived by the Administrator upon its determination that in its sole judgment there shall not have been and will not be any such substantial adverse effect.

(d) Effect of Adverse Conduct. Anything contained in the Plan to the contrary notwithstanding, all rights of a Participant under any Plan Award shall cease on and as of the date on which it has been determined by the Administrator that such Participant at any time (whether before or subsequent to termination of such Participant's employment) acted in a manner Adverse to the best interests of the Company, any Subsidiary or Affiliate thereof.

(e) Tax and Other Withholding. Prior to any distribution of cash, Stock or any other benefit available under a Plan Award (including payments under Section 5(d) and Section 7(b)) to any Participant, appropriate arrangements (consistent with the Plan and any rules adopted hereunder) shall be made for the payment of any taxes and other amounts required to be withheld by federal, state or local law.

(f) Substitution. The Administrator, in its sole discretion, may substitute a Plan Award for another Plan Award or Plan Awards of the same or different type.

## SECTION 8. NON-TRANSFERABILITY OF PLAN AWARDS

(a) Restrictions on Transfer of Awards. Plan Awards shall not be assignable or transferable by the Participant other than by will or by the laws of descent and distribution except that the Participant may, with the consent of the Administrator, transfer without consideration Plan Awards that do not constitute Incentive Stock Options to the Participant's spouse, children or grandchildren (or to one or more trusts for the benefit of any such family members or to one or more partnerships in which any such family members are the only partners).

(b) Attachment and Levy. No Plan Award shall be subject, in whole or in part, to attachment, execution or levy of any kind, and any purported transfer in violation hereof shall be null and void. Without limiting the generality of the foregoing, no domestic relations order purporting to authorize a transfer of a Plan Award, or to grant to any person other than the Participant the authority to exercise or otherwise act with respect to a Plan Award, shall be recognized as valid.

## SECTION 9. DESIGNATION OF BENEFICIARIES

Anything contained in the Plan to the contrary notwithstanding, a Participant may file with the Company a written designation of a beneficiary or beneficiaries under the Plan, subject to such limitations as to the classes and number of beneficiaries and contingent beneficiaries and such other limitations as the Administrator from time to time may prescribe. A Participant may from time to time revoke or change any such designation of beneficiary. Any designation of a beneficiary under the Plan shall be controlling over any other disposition, testamentary or otherwise; provided, however, that if the Administrator shall be in doubt as to the entitlement of any such beneficiary to receive any Option, Stock Appreciation Right or Other Stock-Based Award, or if applicable law requires the Company to do so, the Administrator may recognize only the legal representative of such Participant, in which case the Company and the Administrator shall not be under any further liability to anyone. In the event of the death of any Participant, the term "Participant" as used in the Plan shall thereafter be deemed to refer to the beneficiary designated pursuant to this Section 9 or, if no such designation is in effect, the executor or administrator of the estate of such Participant, unless the context otherwise requires.

## SECTION 10. MERGER, CONSOLIDATION, STOCK DIVIDENDS, ETC.

(a) Adjustments. In the event of any merger, consolidation, reorganization, stock split, stock dividend or other event affecting Stock, an appropriate adjustment shall be made in the total number of shares available for Plan Awards and in all other provisions of the Plan that include a reference to a number of shares, and in the numbers of shares covered by, and other terms and provisions (including but not limited to the grant or exercise price of any Plan Award) of outstanding Plan Awards.

(b) Administrator Determinations. The foregoing adjustments and the manner of application of the foregoing provisions shall be determined by the Administrator in its sole discretion. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to a Plan Award.

## SECTION 11. ACCELERATION OF PAYMENT OR MODIFICATION OF PLAN AWARDS

(a) Acceleration and Modification. The Administrator, in the event of the death of a Participant or in any other circumstance, may accelerate distribution of any Plan Award in its entirety or in a reduced amount, in cash or in Stock, or modify any Plan Award, in each case on such basis and in such manner as the Administrator may determine in its sole discretion.

(b) Change in Control. Notwithstanding any other provision of the Plan, unless the Administrator determines otherwise at the time of grant, upon the occurrence of a Change in Control, (1) any Plan Awards outstanding as of the date of such Change in Control, and that are not then vested, shall become fully vested, and (2) any restrictions or other conditions applicable to any outstanding Awards shall lapse, and such Plan Awards shall become free of all restrictions and conditions. Notwithstanding the foregoing, if a successor corporation or other entity as contemplated in clause (i) or (ii) of Section 1(b)(5) hereof agrees to assume the outstanding Plan Awards or to substitute substantially equivalent options, then the outstanding Plan Awards issued hereunder shall not be

immediately exercisable, but shall remain exercisable in accordance with the terms of the Plan and the applicable award agreements.

## SECTION 12. RIGHTS AS A STOCKHOLDER

A Participant shall not have any rights as a stockholder with respect to any share covered by any Plan Award until such Participant shall have become the holder of record of such share.

## SECTION 13. TERM, AMENDMENT, MODIFICATION AND TERMINATION OF THE PLAN AND AGREEMENTS

(a) Term. Unless terminated earlier pursuant to subsection (b), the Plan shall terminate on March 14, 2011.

(b) Amendment, Modification and Termination of Plan. The Board may, at any time, amend or modify the Plan or any outstanding Plan Award, including without limitation, to authorize the Administrator to make Plan Awards payable in other securities or other forms of property of a kind to be determined by the Administrator, and such other amendments as may be necessary or desirable to implement such Plan Awards, and may terminate the Plan or any provision thereof; provided, however, that no amendment shall be made without the approval of the stockholders of the Company if such approval would be required by the Code. Subject to the provisions of subsection (c), the Administrator may, at any time and from time to time, amend or modify any outstanding Plan Award to the extent not inconsistent with the terms of the Plan.

(c) Limitation. Subject to the provisions of subsection (e), no amendment to or termination of the Plan or any provision hereof, and no amendment or cancellation of any outstanding Plan Award, by the Board, the Administrator or the stockholders of the Company, shall, without the written consent of the affected Participant, adversely affect any outstanding Plan Award.

(d) Survival. The Administrator's authority to act with respect to any outstanding Plan Award and the Board's authority to amend the Plan shall survive termination of the Plan.

(e) Amendment for Changes in Law. Notwithstanding the foregoing provisions, the Board and Administrator shall have the authority to amend outstanding Plan Awards and the Plan to take into account changes in law and tax and accounting rules as well as other developments, and to grant Plan Awards that qualify for beneficial treatment under such rules, without stockholder approval (unless otherwise required by law or the applicable rules of any securities exchange on which the Stock is then traded) and without Participant consent.

## SECTION 14. INDEMNIFICATION AND EXCULPATION

(a) Indemnification. Each person who is or shall have been a member of the Board and the Administrator shall be indemnified and held harmless by the Company against and from any and all loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be or become a party or in which such person may be or become involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof (with the Company's written approval) or paid by such person in satisfaction of a judgment in any such action, suit or proceeding, except a judgment in favor of the Company based upon a finding of such person's lack of good faith; subject, however, to the condition that, upon the institution of any claim, action, suit or proceeding against such person, such person shall in writing give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's behalf. The foregoing right of indemnification shall not be exclusive of any other right to which such person may be entitled as a matter of law or otherwise, or any power that the Company may have to indemnify or hold such person harmless.

(b) Exculpation. Each member of the Board and the Administrator, and each officer and employee of the Company, shall be fully justified in relying or acting in good faith upon any information furnished in connection with the administration of the Plan by any appropriate person or persons other than such person. In no

event shall any person who is or shall have been a member of the Board, or the Administrator, or an officer or employee of the Company, be held liable for any determination made or other action taken or any omission to act in reliance upon any such information, or for any action (including the furnishing of information) taken or any failure to act, if in good faith.

#### SECTION 15. EXPENSES OF PLAN

The entire expense of offering and administering the Plan shall be borne by the Company and its participating Subsidiaries; provided, that the costs and expenses associated with the redemption or exercise of any Plan Award, including but not limited to commissions charged by any agent of the Company, may be charged to the Participants.

#### SECTION 16. FINALITY OF DETERMINATIONS

Each determination, interpretation, or other action made or taken pursuant to the provisions of the Plan by the Board or the Administrator shall be final and shall be binding and conclusive for all purposes and upon all persons, including, but without limitation thereto, the Company, its Subsidiaries, the stockholders, the Administrator, the directors, officers, and employees of the Company and its Subsidiaries, the Participants, and their respective successors in interest.

#### SECTION 17. NO RIGHTS TO CONTINUED EMPLOYMENT OR TO PLAN AWARD

(a) No Right to Employment. Nothing contained in this Plan, or in any booklet or document describing or referring to the Plan, shall be deemed to confer on any Participant the right to continue as an employee of the Company or any Subsidiary, whether for the duration of any performance period, restriction period, or vesting period under a Plan Award, or otherwise, or affect the right of the Company or Subsidiary to terminate the employment of any Participant for any reason.

(b) No Right to Award. No Employee or other person shall have any claim or right to be granted a Plan Award under the Plan. Receipt of an Award under the Plan shall not give a Participant or any other person any right to receive any other Plan Award under the Plan. A Participant shall have no rights in any Plan Award, except as set forth herein and in the applicable award agreement.

#### SECTION 18. GOVERNING LAW AND CONSTRUCTION

The Plan and all actions taken hereunder shall be governed by, and the Plan shall be construed in accordance with, the laws of the State of Florida without regard to principles of conflict of laws. Titles and headings to Sections are for purposes of reference only, and shall in no way limit, define or otherwise affect the meaning or interpretation of the Plan.

#### SECTION 19. SECURITIES AND STOCK EXCHANGE REQUIREMENTS

(a) Restrictions on Resale. Notwithstanding any other provision of the Plan, no person who acquires Stock pursuant to the Plan may, during any period of time that such person is an affiliate of the Company (within the meaning of the rules and regulations of the Securities Exchange Commission), sell or otherwise transfer such Stock, unless such offer and sale or transfer is made (1) pursuant to an effective registration statement under the Securities Act of 1933 ("1933 Act"), which is current and includes the Stock to be sold, or (2) pursuant to an appropriate exemption from the registration requirements of the 1933 Act, such as that set forth in Rule 144 promulgated pursuant thereto.

(b) Registration, Listing and Qualification of Shares of Common Stock. Notwithstanding any other provision of the Plan, if at any time the Administrator shall determine that the registration, listing or qualification of the Stock covered by a Plan Award upon any securities exchange or under any foreign, federal, state or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Plan Award or the purchase or receipt of Stock in connection therewith, no Stock may be purchased, delivered or received pursuant to such Plan Award unless and

until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Administrator. Any person receiving or purchasing Stock pursuant to a Plan Award shall make such representations and agreements and furnish such information as the Administrator may request to assure compliance with the foregoing or any other applicable legal requirements. The Company shall not be required to issue or deliver any certificate or certificates for Stock under the Plan prior to the Administrator's determination that all related requirements have been fulfilled. The Company shall in no event be obligated to register any securities pursuant to the 1933 Act or applicable state or foreign law or to take any other action in order to cause the issuance and delivery of such certificates to comply with any such law, regulation, or requirement.



## EXHIBIT 15

April 23, 2001

Board of Directors  
Sykes Enterprises, Incorporated  
100 N. Tampa Street  
Tampa, FL 33602

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim consolidated financial information of Sykes Enterprises, Incorporated and subsidiaries for the period ended March 31, 2001, as indicated in our report dated April 23, 2001; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 2001, is incorporated by reference in Registration Statement Nos. 333-23681, 333-76629, and 333-88359 on Forms S-8.

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

*/s/ Deloitte & Touche LLP*

*Tampa, Florida*

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