

# SYKES ENTERPRISES INC

## FORM 10-Q (Quarterly Report)

Filed 11/14/01 for the Period Ending 09/30/01

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 11/14/2001 For Period Ending 9/30/2001

Address	100 NORTH TAMPA ST STE 3900 TAMPA, Florida 33602
Telephone	813-274-1000
CIK	0001010612
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**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2001.

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

*Commission File No. 0-28274*

**SYKES ENTERPRISES, INCORPORATED**

(Exact name of Registrant as specified in its charter)

Florida

56-1383460

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

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

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

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 November 13, 2001, there were 40,204,623 shares of common stock outstanding.

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**PART I**

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

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(in thousands, except per share data)

	SEPTEMBER 30, 2001	DECEMBER 31, 2000
	-----	-----
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents .....	\$ 57,521	\$ 30,141
Receivables .....	85,543	135,609
Prepaid expenses and other current assets .....	16,444	17,679
	-----	-----
Total current assets .....	159,508	183,429
Property and equipment, net .....	147,543	151,842
Intangible assets, net .....	7,696	8,861
Deferred charges and other assets .....	8,459	13,822
	-----	-----
	\$ 323,206	\$ 357,954
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Current installments of long-term debt .....	\$ 1	\$ 100
Accounts payable .....	11,842	34,636
Income taxes payable .....	1,312	5,502
Accrued employee compensation and benefits .....	29,998	32,746
Other accrued expenses and current liabilities .....	12,831	17,481
	-----	-----
Total current liabilities .....	55,984	90,465
Long-term debt .....	--	8,759
Deferred grants .....	40,335	31,758
Deferred revenue .....	24,609	31,072
Other long-term liabilities .....	13	8
	-----	-----
Total liabilities .....	120,941	162,062
	-----	-----
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; 43,161 and 43,084 issued .....	432	431
Additional paid-in capital .....	160,060	159,696
Retained earnings .....	100,187	90,430
Accumulated other comprehensive loss .....	(17,659)	(14,082)
	-----	-----
Total shareholders' equity .....	243,020	236,475
Treasury stock at cost; 3,000 and 2,981 shares .....	(40,755)	(40,583)
	-----	-----
Total shareholders' equity .....	202,265	195,892
	-----	-----
	\$ 323,206	\$ 357,954
	=====	=====

See accompanying notes to condensed consolidated financial statements.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2001 AND SEPTEMBER 30, 2000**  
(Unaudited)

(in thousands, except for per share data)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
		(Unaudited - not covered by accountants' report)		(Unaudited - not covered by accountants' report)
Revenues .....	\$ 112,742	\$ 136,954	\$ 376,415	\$ 455,462
Operating expenses:				
Direct salaries and related costs .....	71,323	87,940	238,448	288,233
General and administrative .....	40,518	52,064	123,958	146,765
Compensation expense associated with exercise of options .....	--	--	--	7,836
Restructuring and other charges .....	--	--	--	9,640
Total operating expenses .....	111,841	140,004	362,406	452,474
Income (loss) from operations .....	901	(3,050)	14,009	2,988
Other income (expense):				
Interest, net .....	65	(380)	197	(2,708)
Gain on sale of equity interest in SHPS .....	--	--	--	84,036
Other .....	74	(1,054)	(260)	(923)
Total other income (expense) .....	139	(1,434)	(63)	80,405
Income (loss) before provision (benefit) for income taxes and cumulative effect of change in accounting principle .....	1,040	(4,484)	13,946	83,393
Provision (benefit) for income taxes .....	(667)	(1,660)	4,189	24,956
Income (loss) before cumulative effect of change in accounting principle .....	1,707	(2,824)	9,757	58,437
Cumulative effect of change in accounting principle, net of income taxes of \$580 .....	--	--	--	(919)
Net income (loss) .....	\$ 1,707	\$ (2,824)	\$ 9,757	\$ 57,518
Net income (loss) per basic share:				
Income (loss) before cumulative effect of change in accounting principle .....	\$ 0.04	\$ (0.07)	\$ 0.24	\$ 1.39
Cumulative effect of change in accounting principle .....	--	--	--	(0.02)
Net income (loss) per basic share .....	\$ 0.04	\$ (0.07)	\$ 0.24	\$ 1.37
Total weighted average basic shares .....	40,175	41,134	40,162	41,910
Net income (loss) per diluted share:				
Income (loss) before cumulative effect of change in accounting principle .....	\$ 0.04	\$ (0.07)	\$ 0.24	\$ 1.39
Cumulative effect of change in accounting principle .....	--	--	--	(0.02)
Net income (loss) per diluted share .....	\$ 0.04	\$ (0.07)	\$ 0.24	\$ 1.37
Total weighted average diluted shares .....	40,520	41,134	40,429	41,997

See accompanying notes to condensed consolidated financial statements.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**NINE MONTHS ENDED SEPTEMBER 30, 2000, THREE MONTHS ENDED DECEMBER 31, 2000 AND**  
**NINE MONTHS ENDED SEPTEMBER 30, 2001**  
(Unaudited)

(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	\$ 43,643	\$ (5,860)	\$ --	\$ 193,233
Issuance of common stock .....	316	3	3,022	--	--	--	3,025
Purchase of treasury stock .....	--	--	--	--	--	(37,906)	(37,906)
Comprehensive income:							
Net income for the nine months .. ended September 30, 2000	--	--	--	57,518	--	--	57,518
Foreign currency translation adjustment .....	--	--	--	--	(11,250)	--	(11,250)
Total .....	-----	-----	-----	-----	-----	-----	-----
Total .....							46,268
Balance at September 30, 2000 (Unaudited - not covered by accountants' report) .....	43,050	430	158,045	101,161	(17,110)	(37,906)	204,620
Issuance of common stock .....	34	1	186	--	--	--	187
Purchase of treasury stock .....	--	--	--	--	--	(2,677)	(2,677)
Tax-effect of exercise of non-qualified stock options.....	--	--	1,465	--	--	--	1,465
Comprehensive loss:							
Net loss for the three months ended December 31, 2000 .....	--	--	--	(10,731)	--	--	(10,731)
Foreign currency translation adjustment .....	--	--	--	--	3,028	--	3,028
Total .....	-----	-----	-----	-----	-----	-----	-----
Total .....							(7,703)
Balance at December 31, 2000 (Unaudited - not covered by accountants' report) .....	43,084	431	159,696	90,430	(14,082)	(40,583)	195,892
Issuance of common stock .....	77	1	364	--	--	--	365
Purchase of treasury stock .....	--	--	--	--	--	(172)	(172)
Comprehensive income:							
Net income for the nine months ended September 30, 2001.....	--	--	--	9,757	--	--	9,757
Foreign currency translation adjustment .....	--	--	--	--	(3,577)	--	(3,577)
Total .....	-----	-----	-----	-----	-----	-----	-----
Total .....							6,180
Balance at September 30, 2001 .....	43,161	\$ 432	\$ 160,060	\$ 100,187	\$ (17,659)	\$ (40,755)	\$ 202,265

See accompanying notes to condensed consolidated financial statements.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2001 AND SEPTEMBER 30, 2000**  
(Unaudited)

(in thousands)	2001 -----	2000 ----- (Unaudited - not covered by accountants' report)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income .....	\$ 9,757	\$ 57,518
Depreciation and amortization .....	26,580	27,455
Cumulative effect of accounting change, net of tax ....	--	919
Gain on sale of equity interest in SHPS .....	--	(84,036)
Write-down of intangible assets .....	--	1,185
Deferred income tax provision (benefit) .....	232	(1,019)
Loss on disposal of property and equipment .....	555	400
Loss on sale of marketable securities .....	--	200
Changes in assets and liabilities:		
Receivables .....	48,391	(26,419)
Prepaid expenses and other current assets .....	800	2,470
Deferred charges and other assets .....	5,025	396
Accounts payable .....	(20,784)	(6,690)
Income taxes payable .....	(4,547)	2,556
Accrued employee compensation and benefits .....	(2,040)	4,183
Customer deposits, net of restricted cash .....	--	10,921
Other accrued expenses and current liabilities .....	(6,337)	663
Deferred revenue .....	(3,058)	5,327
Other long-term liabilities .....	(1,076)	(1,393)
	-----	-----
Net cash provided by (used for) operating activities	53,498	(5,364)
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures .....	(25,657)	(55,331)
Proceeds from sale of property and equipment .....	542	--
Proceeds from sale of equity interest in SHPS (less cash purchased) .....	--	159,776
	-----	-----
Net cash (used for) provided by investing activities	(25,115)	104,445
	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Paydowns under revolving line of credit agreements ....	(13,363)	(153,014)
Borrowings under revolving line of credit agreements ..	13,336	90,672
Payments of long-term debt .....	(8,408)	(1,077)
Borrowings under long-term debt .....	--	367
Proceeds from issuance of stock .....	365	3,025
Purchase of treasury stock .....	(172)	(37,906)
Proceeds from grants .....	9,155	6,020
	-----	-----
Net cash provided by (used for) financing activities	913	(91,913)
	-----	-----
EFFECT OF EXCHANGE RATES ON CASH .....	(1,916)	(11,249)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....	27,380	(4,081)
Cash and cash equivalents - beginning .....	30,141	31,001
	-----	-----
Cash and cash equivalents - ending .....	\$ 57,521	\$ 26,920
	=====	=====
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest .....	\$ 935	\$ 3,191
Income Taxes .....	\$ 8,372	\$ 12,880

See accompanying notes to condensed consolidated financial statements.

## SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS NINE MONTHS ENDED SEPTEMBER 30, 2001 AND SEPTEMBER 30, 2000

(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. In addition, certain reclassifications have been made for consistent presentation. Operating results for the three and nine months ended September 30, 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 restated consolidated financial statements and notes thereto, included in the Company's Form 10-K/A for the year ended December 31, 2000 as filed with the Securities and Exchange Commission (SEC).

**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 SEC. 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 contract services. Revenues, in certain limited situations, 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 the change on prior years resulted in a charge to income of \$0.9 million (net of income taxes of \$0.6 million), or \$0.02 per diluted share, which has been deducted in the determination of net income for the nine months ended September 30, 2000. The effect of this change for the nine months ended September 30, 2000 was to increase income before cumulative effect of the change in accounting principle by \$0.9 million or \$0.02 per diluted share.

The cumulative effect adjustment of \$0.9 million (net of income taxes of \$0.6 million) as of January 1, 2000 was recognized in income during the three-month period ended in March 31, 2000.

**DEFERRED GRANTS** - Recognition of income associated with grants of land and the acquisition of property, buildings and equipment is deferred until after the completion and occupancy of the building and title has passed to the Company and the funds have been released from escrow. The deferred amounts for both land and building are amortized and recognized as a reduction of depreciation expense included within general and administrative costs over the corresponding useful lives of the related assets. Amounts received in excess of the cost of the building are allocated to the cost of equipment and, only after the grants are released from escrow, recognized as a reduction of depreciation expense over the weighted average useful life of the related equipment, which approximates five years. Amortization of the deferred grants that is included in income for the three months ended September 30, 2001 and 2000 was \$0.9 million and \$0.8 million, respectively, and for the nine months ended September 30, 2001 and 2000 was \$1.6 million and \$1.9 million, respectively.



**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2001 AND SEPTEMBER 30, 2000**  
(Unaudited)

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

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, and 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 ("FASB") 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. This statement 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 adoption of SFAS No. 140 had no impact on the financial position, results of operations, or cash flows of the Company.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method will be prohibited. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Thus, amortization of goodwill, including goodwill recorded in past business combinations, will cease upon adoption of SFAS No. 142, which is effective for the Company on January 1, 2002. The Company is currently evaluating the effect, if any that the adoption of SFAS No. 142 will have on the Company's consolidated financial statements.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations", which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, and development and (or) normal use of the asset. The Company is required and plans to adopt the provisions of SFAS No. 143 for the quarter ending March 31, 2003. Because of the effort necessary to comply with the adoption of SFAS No. 143, it is not practicable for management to estimate the impact of adopting this Statement at the date of this report.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 addresses the accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The objective of SFAS No. 144 is to establish one accounting model for long-lived assets to be disposed of by sale as well as resolve implementation issues related to SFAS No. 121. The Company expects to adopt SFAS No. 144 effective January 1, 2002 and does not expect such adoption to have a material impact on the financial condition, results of operations, or cash flows of the Company.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2001 AND SEPTEMBER 30, 2000**  
(Unaudited)

**NOTE 2 - CONTINGENCIES**

A consolidated class action lawsuit against the Company 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. Although the Company believes these claims are without merit and intends to defend the actions vigorously, it cannot predict the outcome or the impact this action may have on the Company. The Company also cannot predict whether any other material suits, claims, or investigations may arise in the future based on the same claims. The outcome of this lawsuit 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.

During the quarter ended September 30, 2001, the Company successfully settled the lawsuit filed by Kyrus Corporation that asserted functionality issues associated with software that Kyrus had licensed from the Company in 1998. In settlement of the lawsuit, the Company returned 1.0 million shares of Kyrus convertible preferred stock originally received in exchange for the license (having a value on the Company's books of \$5.5 million) offset by a \$5.0 million cash payment the Company received from its insurance carrier. The remaining \$0.5 million investment in the Kyrus preferred stock was written off against previously established reserves, and accordingly, there was no impact of this settlement on the results of operations for the quarter ended September 30, 2001.

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

A lease agreement, relating to the Company's customer support center in Ireland, contains a cancellation clause which requires the Company, in the event of cancellation, to restore the facility to its original state at an estimated cost of \$0.3 million as of September 30, 2001 and pay a cancellation fee of \$0.4 million, which approximates the annual rental payments under the lease agreement. In addition, under certain circumstances (including cancellation of the lease and cessation of the support center's operations in the facility), the Company is contingently liable until June 16, 2005 to repay any proceeds received in association with the facility's grant agreement. As of September 30, 2001, the grant proceeds subject to repayment approximated \$1.2 million. As of September 30, 2001, the Company had no plans to cancel this lease agreement.

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

The Company presents data in the Condensed Consolidated Statements of Changes in Shareholders' Equity in accordance with SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes rules for the reporting of comprehensive income and its components. Total comprehensive income was \$4.3 million for the three months ended September 30, 2001 compared to a total comprehensive loss of \$6.2 million for the three months ended September 30, 2000 and total comprehensive income of \$6.2 million and \$46.3 million for the nine months ended September 30, 2001 and 2000, respectively.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2001 AND SEPTEMBER 30, 2000**  
(Unaudited)

**NOTE 4 - RESTRUCTURING AND OTHER CHARGES**

The Company recorded restructuring and other charges during the second and fourth quarters of 2000 approximating \$30.5 million. The second quarter restructuring and other charges approximating \$9.6 million resulted from the Company's consolidation of several European and one U.S. fulfillment center and the closing or consolidation of six professional services offices. Included in the second quarter 2000 restructuring and other charges was a \$3.5 million lease termination payment related to the corporate aircraft. As a result of the second quarter restructuring, the Company reduced the number of employees by 157 during 2000 and satisfied the remaining lease obligations related to the closed facilities during 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 operations, the consolidation of its Tampa, Florida technical support 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 half 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 activity in the restructuring and other charges liability accounts for the three and nine months ended September 30, 2001 is as follows (in thousands):

	Restructuring	Other	Total
	-----	-----	-----
Three Months Ended September 30, 2001:			
Balance remaining as of July 1, 2001 ..	\$ 918	\$ 1,689	\$ 2,607
Reduction in workforce cash outflows ..	(154)	(91)	(245)
Lease termination cash payments .....	(283)	--	(283)
Other cash outflows .....	--	--	--
	-----	-----	-----
Balance remaining at September 30, 2001	\$ 481	\$ 1,598	\$ 2,079
	=====	=====	=====

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2001 AND SEPTEMBER 30, 2000**  
(Unaudited)

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

	Restructuring -----	Other -----	Total -----
Nine Months Ended September 30, 2001:			
Balance remaining as of January 1, 2001	\$ 2,708	\$ 2,360	\$ 5,068
Reduction in workforce cash outflows ..	(702)	(762)	(1,464)
Lease termination cash payments .....	(807)	--	(807)
Other cash outflows .....	(718)	--	(718)
	-----	-----	-----
Balance remaining at September 30, 2001	\$ 481	\$ 1,598	\$ 2,079
	=====	=====	=====

**NOTE 5 - LONG TERM DEBT**

Long-term debt consists of the following (in thousands):

	Sept. 30, 2001 -----	Dec. 31, 2000 -----
Syndicated multi-currency credit facility, \$15.0 million maximum, due February 2002, interest payable in accordance with the terms of the individual promissory notes outstanding; the facility is guaranteed by a pledge of 66% of common stock of certain subsidiaries .....	\$ --	\$ 8,759
Notes payable and capital leases, principal and interest payable in monthly installments through June 2002, interest at varying rates up to prime plus 1 percent, collateralized by certain equipment .....	1	100
	-----	-----
Total debt .....	1	8,859
Less current portion .....	1	100
	-----	-----
Long-term debt .....	\$ --	\$ 8,759
	=====	=====

On June 22, 2001, the Company amended and restated its existing syndicated credit facility 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 \$100.0 million (previously \$150.0 million). The \$100.0 million Amended Credit Facility includes a \$10.0 million swingline loan to be used for working capital purposes. In addition, the Company amended and restated its \$15.0 million multi-currency credit facility ("Multi-Currency Facility") that provides for multi-currency lending. Borrowings under the Amended Credit Facility bear interest, at the Company's option, at (a) the lender's base rate plus an applicable margin of up to 0.50% or (b) a Euro rate plus an applicable margin of up to 2.25%. Borrowings under the \$10.0 million swingline loan bear interest, at the Company's option, at (a) the lender's base rate plus an applicable margin of up to 0.25% or (b) a Quoted Rate for swingline loans. Borrowings under the \$15.0 million Multi-Currency Facility bear interest, at the Company's option, at (a) the lender's base rate plus an applicable margin of up to 0.50% or (b) a quoted Euro rate for swingline loans. The Company paid aggregate financing fees of approximately \$0.3 million, which have been deferred and are being amortized over the term of the Amended Credit Facility and Multi-Currency Facility. In addition, a commitment fee up to 0.40% is to be charged on any unused portion of the Amended Credit Facility on a quarterly basis. The Amended Credit Facility matures on February 28, 2003, and the Multi-Currency Facility matures on February 28, 2002. Borrowings under the Amended Credit Facility are guaranteed by certain of the Company's subsidiaries as evidenced by a pledge of 66% of the respective subsidiary's common stock. Under the terms of the Amended Credit Facility and Multi-Currency Facility, the Company is required to maintain certain financial ratios and other financial and non-financial conditions. The Amended Credit Facility and Multi-Currency Facility prohibit, without the consent of the syndicated lenders, the Company from incurring additional indebtedness, limits certain investments, advances or loans and restricts substantial asset sales, acquisitions, capital expenditures, stock repurchases and cash dividends. At September 30, 2001, the Company was in compliance with all loan requirements.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2001 AND SEPTEMBER 30, 2000**  
(Unaudited)

**NOTE 6 - INCOME TAXES**

As a result of shifts in the Company's mix of earnings within tax jurisdictions and the benefits associated with the implementation of findings from a strategic tax review initiated during the third quarter of 2001, the Company reported a benefit for income taxes of \$0.7 million for the third quarter of 2001 and a provision for income taxes of \$4.2 million for the nine months ended September 30, 2001. The tax benefit resulted primarily from the liquidation of an international entity during the third quarter of 2001. The Company's effective tax rate differs from the statutory federal income tax rate primarily due to the beneficial effects of the strategic tax review, 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.

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.

As a result of the shifts in the mix of earnings and the strategic tax review discussed above, the Company anticipates an estimated annual effective tax rate for the year ending December 31, 2001 of approximately 32%.

**NOTE 7 - 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 Sept. 30,		Nine Months Ended Sept. 30,	
	2001	2000	2001	2000
Basic:				
Weighted average common shares outstanding .....	40,175	41,134	40,162	41,910
Diluted:				
Dilutive effect of stock options .....	345	--	267	87
Total weighted average diluted shares outstanding	40,520	41,134	40,429	41,997

**NOTE 8 - 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.

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.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
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(Unaudited)

**NOTE 8 - STOCK OPTIONS (continued)**

Transactions related to options granted under the 2001 Plan are summarized as follows:

	Shares (in thousands)	Weighted Average Exercise Price
	-----	-----
Outstanding at January 1, 2001 ..	--	\$ --
Granted .....	165	\$10.01
Exercised .....	--	\$ --
Expired or terminated .....	--	\$ --
	-----	
Outstanding at September 30, 2001	165	\$10.01
	=====	
Options available for future grant	6,835	
	=====	

No options under the 2001 Plan are exercisable at September 30, 2001.

The following table further summarizes information about the 2001 Plan at September 30, 2001:

Range Of Exercise Prices	Number Outstanding At Sept. 30, 2001	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable At Sept. 30, 2001	Weighted Average Exercise Price
-----	-----	-----	-----	-----	-----
	(in thousands)			(in thousands)	
\$ 5.75 to \$ 5.98	15	9.6	\$ 5.83	--	\$ --
\$ 8.65 to \$ 8.94	60	9.9	\$ 8.70	--	\$ --
\$ 10.11	40	9.7	\$ 10.11	--	\$ --
\$ 12.75	50	9.8	\$ 12.75	--	\$ --
	-----				
Total	165	9.8	\$ 10.01	--	\$ --
	=====				

No stock appreciation rights or other stock-based awards granted under the 2001 Plan are outstanding as of September 30, 2001.

**NOTE 9 - SEGMENT REPORTING AND MAJOR CLIENT**

The Company has two reportable segments comprised of regional operating segments aggregated into reportable segments, entitled Business Services and Business Solutions. The Business Services group is comprised of the Company's technical and customer support and fulfillment businesses. The Business Solutions group provides professional services in e-commerce, including information technology (IT) staffing, 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. 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/A for the year ended December 31, 2000.

Business Services' revenue includes \$11.4 million, or 10.1% of consolidated revenues, and \$38.5 million, or 10.2% of consolidated revenues, for the three and nine months ended September 30, 2001, respectively, from a major provider of communications services. This compared to \$13.3 million, or 9.7% of consolidated revenues, and \$18.3 million, or 4.0% of consolidated revenues, for the three and nine months ended September 30, 2000, respectively.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
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(Unaudited)

**NOTE 9 - SEGMENT REPORTING AND MAJOR CLIENT (continued)**

Information about the Company's reportable segments for the three months and nine months ended September 30, 2001 compared to the corresponding prior year periods is as follows (in thousands):

	Business Services -----	Business Solutions -----	Other -----	Consolidated Total -----
Three Months Ended September 30, 2001:				
Revenue .....	\$ 104,067	\$ 8,675	\$ --	\$ 112,742
Depreciation and amortization .....	8,169	126	--	8,295
Income (loss) from operations .....	\$ 1,547	\$ (646)	\$ --	\$ 901
Other income .....			139	139
Benefit for income taxes .....			667	667
Net income .....				\$ 1,707
				=====
Three Months Ended September 30, 2000:				
Revenue .....	\$ 124,479(1)	\$ 12,475(2)	\$ --	\$ 136,954
Depreciation and amortization .....	7,796	332	--	8,128
Loss from operations .....	\$ (2,095)(1)	\$ (955)(2)	\$ --	\$ (3,050)
Other expense .....			(1,434)	(1,434)
Benefit for income taxes .....			1,660	1,660
Net loss .....				\$ (2,824)
				=====
Nine Months Ended September 30, 2001:				
Revenue .....	\$ 347,840	\$ 28,575	\$ --	\$ 376,415
Depreciation and amortization .....	26,259	321	--	26,580
Income (loss) from operations .....	\$ 15,683	\$ (1,674)	\$ --	\$ 14,009
Other expense .....			(63)	(63)
Provision for income taxes .....			(4,189)	(4,189)
Net income .....				\$ 9,757
				=====
Nine Months Ended September 30, 2000:				
Revenue .....	\$ 414,832(1)	\$ 40,630(2)	\$ --	\$ 455,462
Depreciation and amortization .....	26,687	768	--	27,455
Income from operations before compensation expense associated with exercise of options and restructuring and other charges .....	\$ 20,062(1)	\$ 402(2)	\$ --	\$ 20,464
Compensation expense associated with exercise of options .....			(7,836)	(7,836)
Restructuring and other charges .....			(9,640)	(9,640)
Other income .....			80,405	80,405
Provision for income taxes .....			(24,956)	(24,956)
Cumulative effect of change in accounting principle .....			(919)	(919)
Net income .....				\$ 57,518
				=====

(1) For the three and nine months ended September 30, 2000, Business Services' revenue includes \$4.4 million and \$56.1 million, respectively, from SHPS, Incorporated, a previously wholly owned subsidiary of the Company, which was sold in June 2000, and U.S. fulfillment, a business in which the Company exited in connection with the fourth quarter 2000 restructuring. The Company continues to operate its European fulfillment business. Additionally, income (loss) from operations includes a loss of \$1.2 million and \$0.4 million for the three and nine months ended September 30, 2000, respectively, from SHPS and U.S. fulfillment.

(2) For the three and nine months ended September 30, 2000, Business Solutions' revenue includes \$1.9 million and \$7.1 million, respectively, from the Company's localization operations, a business in which the Company exited in connection with the fourth quarter 2000 restructuring. Additionally, income (loss) from operations includes a loss of \$0.4 million and \$0.5 million for the three and nine months ended September 30, 2000, respectively, from localization.

## 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 September 30, 2001, the related condensed consolidated statements of operations for the three- and nine-month periods ended September 30, 2001, and of changes in shareholders' equity and cash flows for the nine-month period ended September 30, 2001. 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*

*October 29, 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/A for the year ended December 31, 2000 filed with the Securities and Exchange Commission.

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 "believe," "estimate," "project," "expect," "intend," "may," "anticipate," "plans," "seeks," 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, and undue reliance should not be placed on such 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: (i) the timing of significant orders for Sykes' products and services, (ii) variations in the terms and the elements of services offered under Sykes' standardized contract including those for future bundled service offerings, (iii) changes in applicable accounting principles or interpretations of such principles, (iv) difficulties or delays in implementing Sykes' bundled service offerings, (v) failure to achieve sales, marketing and other objectives, (vi) construction delays of new technical and customer support centers, (vii) delays in the Company's ability to develop new products and services and market acceptance of new products and services, (viii) rapid technological change, (ix) loss of significant customers, (x) risks inherent in conducting business abroad, (xi) currency fluctuations, (xii) fluctuations in business conditions and the economy, (xiii) Sykes' ability to attract and retain key management personnel, (xiv) Sykes' ability to continue the growth of its support service revenues through additional technical and customer service centers, (xv) Sykes' ability to further penetrate into vertically integrated markets, (xvi) Sykes' ability to expand its global presence through strategic alliances and selective acquisitions, (xvii) Sykes' ability to continue to establish a competitive advantage through sophisticated technological capabilities, (xviii) the ultimate outcome of pending class action lawsuits, (xix) Sykes' ability to recognize deferred revenue through delivery of products or satisfactory performance of services, (xx) Sykes' dependence on trend toward outsourcing, (xxi) risk of emergency interruption of technical and customer support center operations, (xxii) the existence of substantial competition and (xxiii) other risk factors listed from time to time in Sykes' registration statements and reports as filed with the Securities and Exchange Commission.

#### RESULTS OF OPERATIONS

##### THREE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2000

###### Revenues

For the three months ended September 30, 2001, the Company recorded consolidated revenues of \$112.7 million, a decrease of \$24.2 million or 17.7%, from \$136.9 million of consolidated revenues for the comparable period during 2000. Exclusive of U.S. fulfillment and the Company's localization operations from which the Company exited in connection with the fourth quarter 2000 restructuring, revenues decreased \$18.0 million or 13.8% for the three months ended September 30, 2001, from \$130.7 million for the comparable period during 2000. This decrease in revenue was the result of a \$16.0 million or 13.4% decrease in Business Services' revenues, exclusive of

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

**RESULTS OF OPERATIONS (continued)**

**Revenues (continued)**

U.S. fulfillment operations, and a decrease of \$2.0 million or 18.3% from Business Solutions' revenues, exclusive of the Company's localization operations.

The decrease in Business Services' revenues for the three months ended September 30, 2001 was primarily attributable to continued delays in sales due to cautious spending decisions and reductions in clients and client volumes as a result of the economic slowdown. The Company's Business Services' revenues were also affected by continued declines in European fulfillment revenues due to lower overall demand and cutbacks from clients that are challenged by the current economic and market environment.

The decrease in Business Solutions' revenues for the three months ended September 30, 2001, was primarily due to competitive pricing pressures and a decline in the demand for professional services, including information technology (IT) staffing, from clients who have been affected by the economic slowdown and have reacted by delaying IT projects.

**Direct Salaries and Related Costs**

Direct salaries and related costs decreased \$16.6 million or 18.9% to \$71.3 million for the three months ended September 30, 2001, from \$87.9 million in 2000. As a percentage of revenues, direct salaries and related costs decreased to 63.3% in 2001 from 64.2% for the comparable period in 2000. The decrease in the dollar amount of direct salaries and related costs was primarily attributable to a \$5.5 million decrease in direct salaries and related costs associated with U.S. fulfillment and the Company's localization operations. As a percentage of revenues, direct salaries and related costs, exclusive of U.S. fulfillment and the Company's localization operations, increased slightly to 63.3% in 2001 from 63.1% for the comparable period in 2000.

**General and Administrative**

General and administrative expenses decreased \$11.6 million or 22.3% to \$40.5 million for the three months ended September 30, 2001, from \$52.1 million in 2000. As a percentage of revenues, general and administrative expenses decreased to 35.9% in 2001 from 38.0% for the comparable period in 2000. The decrease in the dollar amount of general and administrative expenses was primarily attributable to a \$2.4 million decrease in general and administrative expenses associated with U.S. fulfillment and the Company's localization operations, a \$2.9 million decrease in bad debt expense, a \$1.4 million decrease in telephone, a \$2.5 million decrease in legal costs, a \$4.0 million decrease in other general and administrative costs offset by a \$1.0 million increase in professional fees from a strategic tax review initiative and a \$0.6 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 U.S. fulfillment and the Company's localization operations, decreased to 35.9% in 2001 from 38.0% for the comparable period in 2000.

**Other Income and Expense**

Other income increased \$1.6 million to \$0.2 million for the three months ended September 30, 2001, compared to other expense of \$1.4 million for the comparable 2000 period. This increase was attributable to a loss on disposal of property and equipment of \$0.4 million recorded in the third quarter of 2000 and a decrease of \$0.5 million in interest expense associated with a decrease in the Company's average outstanding debt position. The Company had no outstanding debt during the third quarter of 2001 compared to an average outstanding debt balance of \$15.6 million for the comparable 2000 period. The decrease in the average debt balance is principally due to the repayment of debt from the net cash flows provided by operating activities.

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**AND RESULTS OF OPERATIONS**

**RESULTS OF OPERATIONS (continued)**

**Provision (Benefit) for Income Taxes**

The benefit for income taxes decreased \$1.0 million to \$0.7 million for the three months ended September 30, 2001 from \$1.7 million for the comparable period in 2000. This decrease was primarily attributable to a reduction in the Company's effective tax rate due to shifts in the Company's mix of earnings within tax jurisdictions, the benefits associated with the implementation of findings from a strategic tax review initiated during the third quarter of 2001 and the liquidation of an international entity. The Company's annual effective tax rate was 32.0%, taking into consideration the aforementioned items resulting in the recognition of a tax benefit for the three months ended September 30, 2001. The annual effective tax rate differs from the statutory federal income tax rate primarily due to the beneficial effects of the strategic tax review, 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.

**NINE MONTHS ENDED SEPTEMBER 30, 2001 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2000**

**Revenues**

For the nine months ended September 30, 2001, the Company recorded consolidated revenues of \$376.4 million, a decrease of \$79.1 million or 17.4%, from \$455.5 million of consolidated revenues for the comparable period during 2000. Exclusive of SHPS, in which 93.5% of the Company's ownership interest was sold on June 30, 2000, and exclusive of U.S. fulfillment and the Company's localization operations, from which the Company exited in connection with the fourth quarter 2000 restructuring, revenues decreased \$16.6 million or 4.2% for the nine months ended September 30, 2001 to \$375.7 million, from \$392.3 million for the comparable period during 2000. This decrease in revenue was the result of an \$11.6 million or 3.2% decrease in Business Services' revenues, exclusive of SHPS and U.S. fulfillment operations and a decrease of \$5.0 million or 14.8% from Business Solutions' revenues, exclusive of the Company's localization operations.

The decrease in Business Services' revenues for the nine months ended September 30, 2001 was primarily attributable to continued delays in sales due to cautious spending decisions and reductions in clients and client volumes as a result of the economic slowdown. The Company's revenues were also affected by continued declines in European fulfillment revenues due to lower overall demand and cutbacks from clients that are challenged by the current economic and market environment and a \$3.5 million one-time licensing fee recorded during the comparable period in 2000.

The decrease in Business Solutions' revenues for the nine months ended September 30, 2001, was primarily due to competitive pricing pressures and a decline in the demand for professional services, including IT staffing, from clients who have been affected by the economic slowdown and have reacted by delaying IT projects.

**Direct Salaries and Related Costs**

Direct salaries and related costs decreased \$49.7 million or 17.2% to \$238.5 million for the nine months ended September 30, 2001, from \$288.2 million in 2000. As a percentage of revenues, (excluding the \$3.5 million one-time licensing fee in 2000) direct salaries and related costs increased slightly to 63.4% in 2001 from 63.3% for the comparable period in 2000. The decrease in the dollar amount of direct salaries and related costs was primarily attributable to a \$44.7 million decrease in direct salaries and related costs associated with SHPS, U.S. fulfillment and the Company's localization operations and a \$4.7 million decrease in direct material costs associated primarily with the European fulfillment services. As a percentage of revenues, direct salaries and related costs, exclusive of SHPS, U.S. fulfillment, the Company's localization operations, and the \$3.5 million one-time licensing fee in 2000 increased to 63.4% in 2001 from 62.0% for the comparable period in 2000.

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**RESULTS OF OPERATIONS (continued)**

**General and Administrative**

General and administrative expenses decreased \$22.8 million or 15.5% to \$124.0 million for the nine months ended September 30, 2001, from \$146.8 million in 2000. As a percentage of revenues (excluding the \$3.5 million one-time licensing fee in 2000), general and administrative expenses increased to 32.9% in 2001 from 32.5% for the comparable period in 2000. The decrease in the dollar amount of general and administrative expenses was primarily attributable to a \$20.1 million decrease in general and administrative expenses associated with SHPS, U.S. fulfillment and the Company's localization operations, a \$1.6 million decrease in telephone, a \$2.5 million decrease in bad debt expense and a \$4.1 million decrease in other general and administrative costs. This decrease was offset by a \$1.0 million increase in professional fees from a strategic tax review initiative and a \$4.5 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, the Company's localization operations and the \$3.5 million one-time licensing fee in 2000, remained unchanged at 32.9% for both 2001 and for the comparable period in 2000.

**Compensation Expense**

Compensation expense associated with the exercise of options was \$7.8 million for the nine months ended September 30, 2000. This charge related to payments made to certain SHPS' option holders as part of the Company's sale of a 93.5% ownership interest in SHPS that occurred on June 30, 2000.

**Restructuring and Other Charges**

The Company recorded restructuring and other charges of \$9.6 million during the nine months ended September 30, 2000. These charges were associated with (1) the consolidation of certain of the Company's fulfillment operations; (2) the consolidation of certain of the Company's professional services locations; (3) elimination of redundant property, leasehold improvements and equipment; and (4) lease termination costs associated with vacated properties and transportation equipment.

**Other Income and Expense**

Other expense was \$0.1 million during the nine months ended September 30, 2001, compared to \$3.6 million during the comparable 2000 period, exclusive of the gain on sale of SHPS of \$84.0 million. This decrease was attributable to a decrease of \$2.9 million in interest expense associated with a decrease in the Company's average outstanding debt position. The Company's average outstanding debt balance for the first nine months of 2001 was \$3.0 million compared to \$67.8 million for the first nine months of 2000. The decrease in the average debt balance is principally due to the repayment of debt from net cash flows provided by operating activities and the proceeds generated from the sale of SHPS.

On June 30, 2000, the Company sold 93.5% of its ownership interest in SHPS for \$165.5 million cash. The sale of SHPS resulted in a gain for financial accounting purposes of \$84.0 million (\$59.9 million net of taxes).

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**RESULTS OF OPERATIONS (continued)**

**Provision for Income Taxes**

The provision for income taxes decreased \$20.8 million to \$4.2 million for the nine months ended September 30, 2001 from \$25.0 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 nine months ended September 30, 2001 (as the comparable period in 2000 included the gain on sale of SHPS), shifts in the Company's mix of earnings within tax jurisdictions and the benefits associated with the implementation of findings from a strategic tax review initiated during the third quarter of 2001. The Company's effective tax rate was 30.0% for the nine months ended September 30, 2001 and 29.9% for the comparable 2000 period. The effective tax rate differs from the statutory federal income tax rate primarily due to the beneficial effects of the strategic tax review, 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 by operating activities 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. In future periods, the Company intends similar uses of any such funds, including possible acquisitions providing access to certain geographic markets.

In the first nine months of 2001, the Company generated \$53.5 million in cash from operating activities and \$9.1 million in cash from grant proceeds which were used primarily to invest \$25.7 million in capital expenditures, pay down \$8.4 million in borrowings under the Company's credit facilities and increase available cash \$27.4 million.

Net cash flows provided by operating activities for the nine months ended September 30, 2001 was \$53.5 million compared to net cash flows used for operating activities of \$5.4 million for the comparable period in 2000. The \$58.9 million increase in net cash flows provided by operating activities, (\$25.2 million decrease in net cash flows including as operating cash flows the gain on sale of SHPS as of June 30, 2000), was a result of a decrease in net income of \$47.8 million, and a net decrease in non-cash expenses of \$0.6 million offset by a net increase in assets and liabilities of \$23.2 million. This net increase in assets and liabilities of \$23.2 million was principally due to a decrease of \$74.8 million in receivables, primarily due to increased collection efforts and a decrease in revenues, a decrease of \$5.0 million in other assets, related to the settlement of the Kyrus lawsuit, offset by a decrease in deferred revenue of \$8.4 million, primarily related to revenue for diagnostic software, a decrease in income taxes payable of \$7.1 million, primarily related to the taxes on the gain on the sale of an equity interest in SHPS, and a decrease of \$37.9 million in accounts payable and other accrued accounts.

Capital expenditures, which are generally funded by cash generated from operating activities and borrowings available under its credit facilities, were \$25.7 million for the nine months ended September 30, 2001 compared to \$55.3 million for the nine months ended September 30, 2000. Capital expenditures for 2001 were \$29.6 million lower than the comparable period of 2000, or \$26.0 million lower excluding SHPS. In 2001, approximately 75% of the capital expenditures were the result of investing in new and existing technical and customer support centers and 25% was expended for systems infrastructure and other assets. The Company anticipates capital expenditures in the range of \$36.0 million to \$38.0 million for the year 2001.

The primary sources of cash flows from financing activities are from borrowings under the Company's syndicated credit facility, as amended on June 22, 2001, 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 \$100.0 million. The \$100.0 million Amended Credit Facility includes a \$10.0 million swingline loan to be used for

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

**LIQUIDITY AND CAPITAL RESOURCES (continued)**

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 September 30, 2001, the Company had \$57.5 million in cash and cash equivalents and \$115.0 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 September 30, 2001, the Company had no debt outstanding at variable interest rates. Based on the Company's level of variable rate debt outstanding during the first nine 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 variable interest rates are generally equal to the Eurodollar rate plus an applicable margin). 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 general economic conditions, the timing of new contracts and renewal of existing contracts, the timing of the 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 services.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 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/A for the year ended December 31, 2000. Since November 14, 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.**

A consolidated class action lawsuit against the Company 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. Although the Company believes these claims are without merit and intends to defend the actions vigorously, it cannot predict the outcome or the impact this action may have on the Company. The Company also cannot predict whether any other material suits, claims, or investigations may arise in the future based on the same claims. The outcome of this lawsuit 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.

During the quarter ended September 30, 2001, the Company successfully settled the lawsuit filed by Kyrus Corporation that asserted functionality issues associated with software that Kyrus had licensed from the Company in 1998. In settlement of the lawsuit, the Company returned 1.0 million shares of Kyrus convertible preferred stock originally received in exchange for the license (having a value on the Company's books of \$5.5 million) offset by a \$5.0 million cash payment the Company received from its insurance carrier. The remaining \$0.5 million investment in the Kyrus preferred stock was written off against previously established reserves; and accordingly, there was no impact of this settlement on the results of operations for the quarter ended September 30, 2001.

**B. Other Litigation.**

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

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

None.

**ITEM 5 - OTHER INFORMATION.**

None.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2001**

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

(a) Exhibits

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

- 10.7      Employment Agreement dated as of March 6, 2000, as amended July 6, 2001, between Gerry L. Rogers and Sykes Enterprises, Incorporated.
- 10.9      Employment Agreement dated as of March 6, 2000, as amended July 6, 2001, between Charles E. Sykes and Sykes Enterprises, Incorporated.
- 10.36     Employment Agreement dated as of March 6, 2000, as amended July 6, 2001, between Jenna R. Nelson and Sykes Enterprises, Incorporated.
- 15        Letter regarding unaudited interim financial information.

(b) Reports on Form 8-K

None.



**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 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: November 14, 2001*

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

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2001**

**EXHIBIT INDEX**

Exhibit  
Number

- 
- |       |  |
|-------|--|
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**Exhibit 10.7**

**EMPLOYMENT AGREEMENT**

PLEASE READ THIS AGREEMENT CAREFULLY. THIS AGREEMENT DESCRIBES THE BASIC LEGAL AND ETHICAL RESPONSIBILITIES THAT YOU ARE REQUIRED TO OBSERVE AS AN EXECUTIVE EXPOSED TO HIGHLY SENSITIVE TECHNOLOGY AND STRATEGIC INFORMATION. CONSULT WITH YOUR LEGAL COUNSEL IF ALL THE TERMS AND PROVISIONS OF THIS AGREEMENT ARE NOT FULLY UNDERSTOOD BY YOU.

THIS AGREEMENT is made as of the 6th day of March, 2000, by and between SYKES ENTERPRISES, INCORPORATED, a Florida corporation (the "Company"), and GERRY L. ROGERS (the "Executive").

**WITNESSETH:**

WHEREAS, the Company desires to assure itself of the Executive's continued employment in an executive capacity; and

WHEREAS, the Executive desires to be employed by the Company on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto covenant and agree as follows:

1. **EMPLOYMENT AND DUTIES.** Subject to the terms and conditions of this Agreement, the Company shall employ the Executive during the Term (as hereinafter defined) in such management capacities as may be assigned from time to time by the Company. The Executive accepts such employment and agrees to devote his best efforts and entire business time, skill, labor, and attention to the performance of such duties. The Executive agrees to promptly provide a description of any other commercial duties or pursuits engaged in by the Executive to the Company's Board of Directors. If the Board of Directors determines in good faith that such activities conflict with the Executive's performance of his duties hereunder, the Executive shall promptly cease such activities to the extent as directed by the Board of Directors. It is acknowledged and agreed that such description shall be made regarding any such activities in which the Executive owns more than 5% of the ownership of the organization or which may be in violation of Section 5 hereof, and that the failure of the Executive to provide any such description shall enable the Company to terminate the Executive for Cause (as provided in Section 6(c) hereof). The Company agrees to hold any such information provided by the Executive confidential and not disclose the same to any person other than a person to whom disclosure is reasonably necessary or appropriate in light of the circumstances. In addition, the Executive agrees to serve without additional compensation if elected or appointed to any office or position, including as a director, of the Company or any subsidiary or affiliate of the Company; provided, however, that the Executive shall be entitled to receive such benefits and additional compensation, if any, that is paid to executive officers of the Company in connection with such service.

2. **TERM.** Subject to the terms and conditions of this Agreement, including, but not limited to, the provisions for termination set forth in Section 6 hereof, the employment of the Executive under this Agreement shall commence on the effective date hereof and shall continue through and including the close of business on the date hereof as set forth on Exhibit A attached hereto and incorporated herein (such term shall herein be defined as the "Term"). The Executive agrees that some portions of this Agreement, including Sections 4, 5, and 6 hereof, will remain in force after the termination of this Agreement.

3. **COMPENSATION.**

(a) **Base Salary and Bonus.** As compensation for the Executive's services under this Agreement, the Executive shall receive and the Company shall pay a weekly base salary set forth on Exhibit A. Such base salary may be increased but not decreased during the Term in the Company's discretion based upon the Executive's performance and any other factors the Company deems relevant. Such base salary shall be payable in accordance with the policy then prevailing for the Company's executives. In addition to such base salary, the Executive shall be entitled during the Term to a performance bonus set forth on Exhibit A and to participate in and receive payments

from, at the Company's election, other bonus and other incentive compensation plans, if any, as may be adopted by the Company.

(b) Payments. All amounts paid pursuant to this Agreement shall be subject to withholding or deduction by reason of the Federal Insurance Contribution Act, federal income tax, state and local income tax, if any, and comparable laws and regulations.

(c) Other Benefits. The Executive shall be reimbursed by the Company for all reasonable and customary travel and other business expenses incurred by the Executive in the performance of the Executive's duties hereunder in accordance with the Company's standard policy regarding expense verification practices. The Executive shall be entitled to that number of weeks paid vacation per year that is available to other executive officers of the Company in accordance with the Company's standard policy regarding vacations and such other fringe benefits as may be set forth on Exhibit A and shall be eligible to participate in such pension, life insurance, health insurance, disability insurance, and other executive benefits plans, if any, which the Company may from time to time make available to its executive officers generally.

#### 4. CONFIDENTIAL INFORMATION.

(a) The Executive has acquired and will acquire information and knowledge respecting the intimate and confidential affairs of the Company, including, without limitation, confidential information with respect to the Company's technical data, research and development projects, methods, products, software, financial data, business plans, financial plans, customer lists, business methodology, processes, production methods and techniques, promotional materials and information, and other similar matters treated by the Company as confidential (the "Confidential Information"). Accordingly, the Executive covenants and agrees that during the Executive's employment by the Company (whether during the Term hereof or otherwise) and thereafter, the Executive shall not, without the prior written consent of the Company, disclose to any person, other than a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of the Executive's duties hereunder, any Confidential Information obtained by the Executive while in the employ of the Company.

(b) The Executive agrees that all memoranda; notes; records; papers or other documents; computer disks; computer, video or audio tapes; CD-ROMs; all other media and all copies thereof relating to the Company's operations or business, some of which may be prepared by the Executive; and all objects associated therewith in any way obtained by the Executive shall be the Company's property. This shall include, but is not limited to, documents; computer disks; computer, video and audio tapes; CD-ROMs; all other media and objects concerning any technical data, methods, products, software, research and development projects, financial data, financial plans, business plans, customer lists, contracts, price lists, manuals, mailing lists, advertising materials; and all other materials and records of any kind that may be in the Executive's possession or under the Executive's control. The Executive shall not, except for the Company's use, copy or duplicate any of the aforementioned documents or objects, nor remove them from the Company's facilities, nor use any information concerning them except for the Company's benefit, either during the Executive's employment or thereafter. The Executive covenants and agrees that the Executive will deliver all of the aforementioned documents and objects, if any, that may be in the Executive's possession to the Company upon termination of the Executive's employment, or at any other time at the Company's request.

(c) In any action to enforce or challenge these Confidential Information provisions, the prevailing party is entitled to recover its attorney's fees and costs.

5. COVENANT NOT-TO-COMPETE AND NO SOLICITATION. Executive recognizes that the Company is in the business of employing individuals to provide specialized and technical services to the Company's Clients. The purpose of these Covenant Not-to-Compete and No Solicitation provisions are to protect the relationship which exists between the Company and its Client while Executive is employed and after Executive leaves the employ of the Company. The consideration for these Covenant Not-to-Compete and No Solicitation provisions is the Executive's employment with the Company.

(a) Executive acknowledges the following:

(1) The Company expended considerable resources in obtaining contracts with its Clients;

- (2) The Company expended considerable resources to recruit and hire employees who could perform services for its Clients;
- (3) Through his/her employ with the Company, Executive will develop a substantial relationship with the Company's existing or potential Clients, including, but not limited to, being the sole or primary contact between the Client and the Company;
- (4) Executive will be exposed to valuable confidential business information about the Company, its Clients, and the Company's relationship with its Clients;
- (5) By providing services on behalf of the Company, Executive will develop and enhance the valuable business relationship between the Company and its Clients;
- (6) The relationship between the Company and its Clients depends on the quality and quantity of the services Executive performs;
- (7) Through employment with the Company, Executive will increase his/her opportunity to work directly for the Client or for a competitor of the Company; and
- (8) The Company will suffer irreparable harm if Executive breaches these Covenant Not-to-Compete and No Solicitation provisions of this Agreement.

(b) Executive agrees that:

- (1) The relationship between the Company and its Client (developed and enhanced when the Executive performs services on behalf of the Company) is a legitimate business interest for the Company to protect;
  - (2) The Company's legitimate business interest is protected by the existence and enforcement of these Covenant Not-to-Compete and No Solicitation provisions;
  - (3) The business relationship which is created or exists between the Company and its Client, or the goodwill resulting from it, is a business asset of the Company and not the Executive; and
  - (4) Executive will not seek to take advantage of opportunities which result from his/her employment with the Company and that entering into the Agreement containing Covenant Not-to-Compete and No Solicitation provisions is reasonable to protect the Company's business relationship with its Clients.
- (c) Restrictions on Executive. During the term of this Agreement and for a period of time set forth on Exhibit A after the termination of this Agreement, for whatever reason, whether such termination was by the Company or the Executive, voluntarily or involuntarily, and whether with or without cause, Executive agrees that he/she shall not, as a principal, employer, stockholder, partner, agent, consultant, independent contractor, employee, or in any other individual or representative capacity:
- (1) Directly or indirectly engage in, continue in, or carry on the business of the Company or any business substantially similar thereto, including owning or controlling any financial interest in any corporation, partnership, firm, or other form of business organization which competes with or is engaged in or carries on any aspect of such business or any business substantially similar thereto;
  - (2) Consult with, advise, or assist in any way, whether or not for consideration, any corporation, partnership, firm, or other business organization which is now, becomes, or may become a competitor of the Company in any aspect of the Company's business during the Executive's employment with the Company, including, but not limited to, advertising or otherwise endorsing the products of any such competitor or loaning money or rendering any other form of financial assistance to or engaging in any form of transaction whether or not on an arm's length basis with any such competitor;
  - (3) Provide or attempt to provide or solicit the opportunity to provide or advise others of the opportunity to provide any services of the type Executive performed for the Company or the Company's Clients (regardless of whether and how such services are to be compensated, whether on a salaried, time and materials,

contingent compensation, or other basis) to or for the benefit of any Client (i) to which Executive has provided services in any capacity on behalf of the Company, or (ii) to which Executive has been introduced to or about which the Executive has received information through the Company or through any Client from which Executive has performed services in any capacity on behalf of the Company;

(4) Retain or attempt to retain, directly or indirectly, for itself or any other party, the services of any person, including any of the Company's employees, who were providing services to or on behalf of the Company while Executive was employed by the Company and to whom Executive has been introduced or about whom Executive has received information through Employer or through any Client for which Executive has performed services in any capacity on behalf of the Company;

(5) Engage in any practice, the purpose of which is to evade the provisions of this Agreement or to commit any act which is detrimental to the successful continuation of or which adversely affects the business or the Company; provided, however, that the foregoing shall not preclude the Executive's ownership of not more than 2% of the equity securities registered under Section 12 of the Securities Exchange Act of 1934, as amended; or

(6) For purpose of these Covenant Not-to-Compete and No Solicitation provisions, Client includes any subsidiaries, affiliates, customers, and clients of the Company's Clients. The Executive agrees that the geographic scope of this Covenant Not-to-Compete shall extend to the geographic area where the Company's Clients conduct business at any time during the Term of this Agreement. For purposes of this Agreement, "Clients" means any person or entity to which the Company provides or has provided within a period of one (1) year prior to the Executive's termination of employment labor, materials or services for the furtherance of such entity's or person's business or any person or entity that within such period of one (1) year the Company has pursued or communicated with for the purpose of obtaining business for the Company.

(d) Enforcement. These Covenant Not-to-Compete and No Solicitation provisions shall be construed and enforced under the laws of the State of Florida. In the event of any breach of this Covenant Not-to-Compete, the Executive recognizes that the remedies at law will be inadequate, and that in addition to any relief at law which may be available to the Company for such violation or breach and regardless of any other provision contained in this Agreement, the Company shall be entitled to equitable remedies (including an injunction) and such other relief as a court may grant after considering the intent of this Section 5. It is further acknowledged and agreed that the existence of any claim or cause of action on the part of the Executive against the Company, whether arising from this Agreement or otherwise, shall in no way constitute a defense to the enforcement of this Covenant Not-to-Compete, and the duration of this Covenant Not-to-Compete shall be extended in an amount which equals the time period during which the Executive is or has been in violation of this Covenant Not-to-Compete. In the event a court of competent jurisdiction determines that the provisions of this Covenant Not-to-Compete are excessively broad as to duration, geographic scope, prohibited activities or otherwise, the parties agree that this covenant shall be reduced or curtailed to the extent necessary to render it enforceable.

(e) In an action to enforce or challenge these Covenant Not-to-Compete and No Solicitation provisions, the prevailing party is entitled to recover its attorney's fees and costs.

(f) By signing this Agreement, the Executive acknowledges that he/she understands the effects of these Covenant Not-to-Compete and No Solicitation provisions and agrees to abide by them.

## 6. TERMINATION

(a) Death. The Executive's employment hereunder shall terminate upon his death.

(b) Disability. If during the Term the Executive becomes physically or mentally disabled in accordance with the terms and conditions of any disability insurance policy covering the Executive, or, if due to such physical or mental disability the Executive becomes unable for a period of more than six (6) consecutive months to perform his duties hereunder on substantially a full-time basis as determined by the Company in its sole reasonable discretion, the Company may, at its option, terminate the Executive's employment hereunder upon not less than thirty (30) days' written notice.

(c) Cause. The Company may terminate the Executive's employment hereunder for Cause effective immediately upon notice. For purposes of this Agreement, the Company shall have "Cause" to terminate the Executive's employment hereunder: (i) if the Executive engages in conduct which has caused or is reasonably likely to cause demonstrable and serious injury to Company; (ii) if the Executive is convicted of a felony as evidenced by a binding and final judgment, order, or decree of a court of competent jurisdiction; (iii) for the Executive's neglect of his duties hereunder or the Executive's refusal to perform his duties or responsibilities hereunder as determined by the Company's Board of Directors in good faith; (iv) consistent failure to achieve goals established by the Board of Directors or their designate; (v) gross incompetence; (vi) for the Executive's violation of this Agreement, including, without limitation, Section 5 hereof; (vii) chronic absenteeism; (viii) for use of illegal drugs; (ix) insobriety by the Executive while performing his or her duties hereunder; and (x) for any act of dishonesty or falsification of reports, records, or information submitted by the Executive to the Company.

(d) Non-Compete Payment and Liquidated Damages. In the event of a termination of the Executive's employment pursuant to Section 6 or by the Executive, all payments and Company benefits to the Executive hereunder, except the payments (if any) provided below, shall immediately cease and terminate. In the event of a termination by the Company of the Executive's employment with the Company for any reason other than pursuant to Section 6(c), the Company shall pay the Executive Liquidated Damages as defined in (e) below for early termination of his employment and the Covenant Not-to-Compete set forth in Section 5 hereof shall remain in full force and effect through the full stated Term of this Agreement; and additionally, from the end of the Term of this Agreement through the non-compete period stated on Exhibit "A", the Company shall pay the Executive Not-to-Compete pay in equal biweekly installments ("Non-Compete Payment Installments") in the amount set forth on Exhibit A ("Non-Compete Payment"). Such Non-Compete Payment, however, shall not be required to be paid by the Company if the Company elects, in its sole discretion, to release the Executive from the Covenant Not-to-Compete set forth in Section 5 hereof. Additionally, if the Company commences paying Executive Non-Compete Payment Installments and subsequently elects in the future, in its sole discretion, to release Executive from the Covenant Not-to-Compete and gives notice to Executive, then, at the effective date of such notice, Executive shall no longer be subject to the Covenant Not-to-Compete, and no further Non-Compete Payment Installments shall be due or payable to Executive. If the Company terminates the Executive's employment pursuant to Section 6(c) or the Executive terminates such employment, the Executive shall not be entitled to the Non-Compete Payment, and the Covenant Not-to-Compete set forth in Section 5 hereof shall remain in full force and effect. Notwithstanding anything to the contrary herein contained, the Executive shall receive all compensation and other benefits to which he was entitled under this Agreement or otherwise as an executive of the Company through the termination date.

(e) The Liquidated Damages amount, if due as provided above, shall be equal to the weekly amount stated on Exhibit A times the number of weeks remaining between the early termination date and the end of Term as stated on Exhibit A ("Liquidated Damages"). This amount shall be paid biweekly in equal installments over such period.

7. NOTICE. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when hand-delivered, sent by telecopier, facsimile transmission, or other electronic means of transmitting written documents (as long as receipt is acknowledged) or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:  
If to the Executive, to the address set forth on the signature page.

If to the Company: Sykes Enterprises, Incorporated  
100 North Tampa Street, Suite 3900  
Tampa, Florida 33602  
Attention: President

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that a notice of change of address shall be effective only upon receipt.

8. ENFORCEMENT, GOVERNING LAW, AND ATTORNEY'S FEES. It is stipulated that a breach by Executive of the restrictive covenants set forth in Sections 4 and 5 of this Agreement will cause irreparable damage to Company or its Clients, and that in the event of any breach of those provisions, Company is entitled to injunctive relief restraining Executive from violating or continuing a violation of the restrictive covenants as well as other

remedies it may have. Additionally, such covenants shall be enforceable against the Executive's successors or assigns or by successor assigns.

The validity, interpretation, construction, and performance of this Agreement shall be governed by the internal laws of the State of Florida. Any litigation to enforce this Agreement shall be brought in the state or federal courts of Hillsborough County, Florida, which is the principal place of business for Company and which is considered to be the place where this Agreement is made. Both parties hereby consent to such courts' exercise of personal jurisdiction over them.

Except where required, to enforce the restrictive covenants regarding Not-to-Compete, No Solicitation, and Confidential Information, as provided in Sections 4 and 5 of this Agreement, Company and the Executive will each pay their own attorney's fees and costs in the event Company or the Executive must enforce any of the other rights granted to them, regardless of the outcome of any action seeking to enforce rights under this Agreement.

9. MISCELLANEOUS. No provision of this Agreement may be modified or waived unless such waiver or modification is agreed to in writing signed by the parties hereto; provided, however, that the terms of the performance bonus and fringe benefits set forth or Exhibit A may be amended by the Company in its discretion without the Executive's consent to the extent provided therein. No waiver by any party hereto of any breach by any other party hereto shall be deemed a waiver of any similar or dissimilar term or condition at the same or at any prior or subsequent time. This Agreement is the entire agreement between the parties hereto with respect to the Executive's employment by the Company and there are no agreements or representations, oral or otherwise, expressed or implied, with respect to or related to the employment of the Executive which are not set forth in this Agreement. Any prior agreement relating to the Executive's employment with the Company is hereby superseded and void, and is no longer in effect. This Agreement shall be binding upon and inure to the benefit of the Company, its respective successors and assigns, and the Executive and his heirs, executors, administrators and legal representatives. Except as expressly set forth herein, no party shall assign any of his or its rights under this Agreement without the prior written consent of the other party and any attempted assignment without such prior written consent shall be null and void and without legal effect. The parties agree that if any provision of this Agreement shall under any circumstances be deemed invalid or inoperative, the Agreement shall be construed with the invalid or inoperative provision deleted and the rights and obligations of the parties shall be construed and enforced accordingly. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute but one and the same instrument. This Agreement has been negotiated and no party shall be considered as being responsible for such drafting for the purpose of applying any rule construing ambiguities against the drafter or otherwise.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

SYKES ENTERPRISES, INCORPORATED

EXECUTIVE

By: \_\_\_\_\_

\_\_\_\_\_  
Gerry L. Rogers

\_\_\_\_\_  
Address  
\_\_\_\_\_



**EXHIBIT A TO EMPLOYMENT AGREEMENT**

Gerry L. Rogers

Group Executive and Senior Vice President, Information Technology

This Exhibit A is attached to and made a part of that certain Employment Agreement effective March 6, 2000, entered into by and between Sykes Enterprise, Incorporated (the "Company") and Gerry L. Rogers (the "Executive"), which supercedes and replaces all other Employment Agreements entered into by and between the Company and the Executive.

Effective Date:	July 6, 2001
Term:	Through March 5, 2004
Base Salary:	\$3,728.02 per week through March 5, 2002 \$4,182.00 per week, effective March 6, 2002
Performance Bonus:	0% - 75% of annual base salary with 20% based on achievement of the Company operating plan and 80% based on attainment of the Information Technology organizations plan objectives.
Fringe Benefits:	Standard executive fringe benefits
Term of Covenant Not to Compete:	12 months
Non-Compete Payment	\$1,864.01 per week for 52 weeks through March 5, 2002 \$2,091.00 per week for 52 weeks effective March 6, 2002
Liquidated Damages:	\$1,864.01 per week through March 5, 2002 \$2,091.00 per week effective March 6, 2002

The Company reserves the right, at its sole discretion, at such time or times as it elects, to change or eliminate bonuses or other benefits.

IN WITNESS WHEREOF, the parties have executed this Exhibit A to the Employment

**Agreement as of the 6th day of July 2001.**

**SYKES ENTERPRISES, INCORPORATED EXECUTIVE**

By: /s/ Jenna R. Nelson /s/ Gerry L. Rogers

**Exhibit 10.9**

**EMPLOYMENT AGREEMENT**

PLEASE READ THIS AGREEMENT CAREFULLY. THIS AGREEMENT DESCRIBES THE BASIC LEGAL AND ETHICAL RESPONSIBILITIES THAT YOU ARE REQUIRED TO OBSERVE AS AN EXECUTIVE EXPOSED TO HIGHLY SENSITIVE TECHNOLOGY AND STRATEGIC INFORMATION. CONSULT WITH YOUR LEGAL COUNSEL IF ALL THE TERMS AND PROVISIONS OF THIS AGREEMENT ARE NOT FULLY UNDERSTOOD BY YOU.

THIS AGREEMENT is made as of the 6th day of March, 2000, by and between SYKES ENTERPRISES, INCORPORATED, a Florida corporation (the "Company"), and CHARLES E. SYKES (the "Executive").

**WITNESSETH:**

WHEREAS, the Company desires to assure itself of the Executive's continued employment in an executive capacity; and

WHEREAS, the Executive desires to be employed by the Company on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto covenant and agree as follows:

1. **EMPLOYMENT AND DUTIES.** Subject to the terms and conditions of this Agreement, the Company shall employ the Executive during the Term (as hereinafter defined) in such management capacities as may be assigned from time to time by the Company. The Executive accepts such employment and agrees to devote his best efforts and entire business time, skill, labor, and attention to the performance of such duties. The Executive agrees to promptly provide a description of any other commercial duties or pursuits engaged in by the Executive to the Company's Board of Directors. If the Board of Directors determines in good faith that such activities conflict with the Executive's performance of his duties hereunder, the Executive shall promptly cease such activities to the extent as directed by the Board of Directors. It is acknowledged and agreed that such description shall be made regarding any such activities in which the Executive owns more than 5% of the ownership of the organization or which may be in violation of Section 5 hereof, and that the failure of the Executive to provide any such description shall enable the Company to terminate the Executive for Cause (as provided in Section 6(c) hereof). The Company agrees to hold any such information provided by the Executive confidential and not disclose the same to any person other than a person to whom disclosure is reasonably necessary or appropriate in light of the circumstances. In addition, the Executive agrees to serve without additional compensation if elected or appointed to any office or position, including as a director, of the Company or any subsidiary or affiliate of the Company; provided, however, that the Executive shall be entitled to receive such benefits and additional compensation, if any, that is paid to executive officers of the Company in connection with such service.

2. **TERM.** Subject to the terms and conditions of this Agreement, including, but not limited to, the provisions for termination set forth in Section 6 hereof, the employment of the Executive under this Agreement shall commence on the effective date hereof and shall continue through and including the close of business on the date hereof as set forth on Exhibit A attached hereto and incorporated herein (such term shall herein be defined as the "Term"). The Executive agrees that some portions of this Agreement, including Sections 4, 5, and 6 hereof, will remain in force after the termination of this Agreement.

3. **COMPENSATION.**

(a) **Base Salary and Bonus.** As compensation for the Executive's services under this Agreement, the Executive shall receive and the Company shall pay a weekly base salary set forth on Exhibit A. Such base salary may be increased but not decreased during the Term in the Company's discretion based upon the Executive's performance and any other factors the Company deems relevant. Such base salary shall be payable in accordance with the policy then prevailing for the Company's executives. In addition to such base salary, the Executive shall be entitled during the Term to a performance bonus set forth on Exhibit A and to participate in and receive payments

from, at the Company's election, other bonus and other incentive compensation plans, if any, as may be adopted by the Company.

(b) Payments. All amounts paid pursuant to this Agreement shall be subject to withholding or deduction by reason of the Federal Insurance Contribution Act, federal income tax, state and local income tax, if any, and comparable laws and regulations.

(c) Other Benefits. The Executive shall be reimbursed by the Company for all reasonable and customary travel and other business expenses incurred by the Executive in the performance of the Executive's duties hereunder in accordance with the Company's standard policy regarding expense verification practices. The Executive shall be entitled to that number of weeks paid vacation per year that is available to other executive officers of the Company in accordance with the Company's standard policy regarding vacations and such other fringe benefits as may be set forth on Exhibit A and shall be eligible to participate in such pension, life insurance, health insurance, disability insurance, and other executive benefits plans, if any, which the Company may from time to time make available to its executive officers generally.

#### 4. CONFIDENTIAL INFORMATION.

(a) The Executive has acquired and will acquire information and knowledge respecting the intimate and confidential affairs of the Company, including, without limitation, confidential information with respect to the Company's technical data, research and development projects, methods, products, software, financial data, business plans, financial plans, customer lists, business methodology, processes, production methods and techniques, promotional materials and information, and other similar matters treated by the Company as confidential (the "Confidential Information"). Accordingly, the Executive covenants and agrees that during the Executive's employment by the Company (whether during the Term hereof or otherwise) and thereafter, the Executive shall not, without the prior written consent of the Company, disclose to any person, other than a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of the Executive's duties hereunder, any Confidential Information obtained by the Executive while in the employ of the Company.

(b) The Executive agrees that all memoranda; notes; records; papers or other documents; computer disks; computer, video or audio tapes; CD-ROMs; all other media and all copies thereof relating to the Company's operations or business, some of which may be prepared by the Executive; and all objects associated therewith in any way obtained by the Executive shall be the Company's property. This shall include, but is not limited to, documents; computer disks; computer, video and audio tapes; CD-ROMs; all other media and objects concerning any technical data, methods, products, software, research and development projects, financial data, financial plans, business plans, customer lists, contracts, price lists, manuals, mailing lists, advertising materials; and all other materials and records of any kind that may be in the Executive's possession or under the Executive's control. The Executive shall not, except for the Company's use, copy or duplicate any of the aforementioned documents or objects, nor remove them from the Company's facilities, nor use any information concerning them except for the Company's benefit, either during the Executive's employment or thereafter. The Executive covenants and agrees that the Executive will deliver all of the aforementioned documents and objects, if any, that may be in the Executive's possession to the Company upon termination of the Executive's employment, or at any other time at the Company's request.

(c) In any action to enforce or challenge these Confidential Information provisions, the prevailing party is entitled to recover its attorney's fees and costs.

5. COVENANT NOT-TO-COMPETE AND NO SOLICITATION. Executive recognizes that the Company is in the business of employing individuals to provide specialized and technical services to the Company's Clients. The purpose of these Covenant Not-to-Compete and No Solicitation provisions are to protect the relationship which exists between the Company and its Client while Executive is employed and after Executive leaves the employ of the Company. The consideration for these Covenant Not-to-Compete and No Solicitation provisions is the Executive's employment with the Company.

(a) Executive acknowledges the following:

- (1) The Company expended considerable resources in obtaining contracts with its Clients;
- (2) The Company expended considerable resources to recruit and hire employees who could perform services for its Clients;
- (3) Through his/her employ with the Company, Executive will develop a substantial relationship with the Company's existing or potential Clients, including, but not limited to, being the sole or primary contact between the Client and the Company;
- (4) Executive will be exposed to valuable confidential business information about the Company, its Clients, and the Company's relationship with its Client;
- (5) By providing services on behalf of the Company, Executive will develop and enhance the valuable business relationship between the Company and its Client;
- (6) The relationship between the Company and its Client depends on the quality and quantity of the services Executive performs;
- (7) Through employment with the Company, Executive will increase his/her opportunity to work directly for the Client or for a competitor of the Company; and
- (8) The Company will suffer irreparable harm if Executive breaches these Covenant Not-to-Compete and No Solicitation provisions of this Agreement.

(b) Executive agrees that:

- (1) The relationship between the Company and its Client (developed and enhanced when the Executive performs services on behalf of the Company) is a legitimate business interest for the Company to protect;
- (2) The Company's legitimate business interest is protected by the existence and enforcement of these Covenant Not-to-Compete and No Solicitation provisions;
- (3) The business relationship which is created or exists between the Company and its Client, or the goodwill resulting from it, is a business asset of the Company and not the Executive; and
- (4) Executive will not seek to take advantage of opportunities which result from his/her employment with the Company and that entering into the Agreement containing Covenant Not-to-Compete and No Solicitation provisions is reasonable to protect the Company's business relationship with its Clients.

(c) Restrictions on Executive. During the term of this Agreement and for a period of time set forth on Exhibit A after the termination of this Agreement, for whatever reason, whether such termination was by the Company or the Executive, voluntarily or involuntarily, and whether with or without cause, Executive agrees that he/she shall not, as a principal, employer, stockholder, partner, agent, consultant, independent contractor, employee, or in any other individual or representative capacity:

- (1) Directly or indirectly engage in, continue in, or carry on the business of the Company or any business substantially similar thereto, including owning or controlling any financial interest in any corporation, partnership, firm, or other form of business organization which competes with or is engaged in or carries on any aspect of such business or any business substantially similar thereto;
- (2) Consult with, advise, or assist in any way, whether or not for consideration, any corporation, partnership, firm, or other business organization which is now, becomes, or may become a competitor of the Company in any aspect of the Company's business during the Executive's employment with the Company, including, but not limited to, advertising or otherwise endorsing the products of any such competitor or loaning

money or rendering any other form of financial assistance to or engaging in any form of transaction whether or not on an arm's length basis with any such competitor;

(3) Provide or attempt to provide or solicit the opportunity to provide or advise others of the opportunity to provide any services of the type Executive performed for the Company or the Company's Clients (regardless of whether and how such services are to be compensated, whether on a salaried, time and materials, contingent compensation, or other basis) to or for the benefit of any Client (i) to which Executive has provided services in any capacity on behalf of the Company, or (ii) to which Executive has been introduced to or about which the Executive has received information through the Company or through any Client from which Executive has performed services in any capacity on behalf of the Company;

(4) Retain or attempt to retain, directly or indirectly, for itself or any other party, the services of any person, including any of the Company's employees, who were providing services to or on behalf of the Company while Executive was employed by the Company and to whom Executive has been introduced or about whom Executive has received information through Employer or through any Client for which Executive has performed services in any capacity on behalf of the Company;

(5) Engage in any practice, the purpose of which is to evade the provisions of this Agreement or to commit any act which is detrimental to the successful continuation of or which adversely affects the business or the Company; provided, however, that the foregoing shall not preclude the Executive's ownership of not more than 2% of the equity securities registered under Section 12 of the Securities Exchange Act of 1934, as amended; or

(6) For purpose of these Covenant Not-to-Compete and No Solicitation provisions, Client includes any subsidiaries, affiliates, customers, and clients of the Company's Clients. The Executive agrees that the geographic scope of this Covenant Not-to-Compete shall extend to the geographic area where the Company's Clients conduct business at any time during the Term of this Agreement. For purposes of this Agreement, "Clients" means any person or entity to which the Company provides or has provided within a period of one (1) year prior to the Executive's termination of employment labor, materials or services for the furtherance of such entity's or person's business or any person or entity that within such period of one (1) year the Company has pursued or communicated with for the purpose of obtaining business for the Company.

(d) Enforcement. These Covenant Not-to-Compete and No Solicitation provisions shall be construed and enforced under the laws of the State of Florida. In the event of any breach of this Covenant Not-to-Compete, the Executive recognizes that the remedies at law will be inadequate, and that in addition to any relief at law which may be available to the Company for such violation or breach and regardless of any other provision contained in this Agreement, the Company shall be entitled to equitable remedies (including an injunction) and such other relief as a court may grant after considering the intent of this Section 5. It is further acknowledged and agreed that the existence of any claim or cause of action on the part of the Executive against the Company, whether arising from this Agreement or otherwise, shall in no way constitute a defense to the enforcement of this Covenant Not-to-Compete, and the duration of this Covenant Not-to-Compete shall be extended in an amount which equals the time period during which the Executive is or has been in violation of this Covenant Not-to-Compete. In the event a court of competent jurisdiction determines that the provisions of this Covenant Not-to-Compete are excessively broad as to duration, geographic scope, prohibited activities or otherwise, the parties agree that this covenant shall be reduced or curtailed to the extent necessary to render it enforceable.

(e) In an action to enforce or challenge these Covenant Not-to-Compete and No Solicitation provisions, the prevailing party is entitled to recover its attorney's fees and costs.

(f) By signing this Agreement, the Executive acknowledges that he/she understands the effects of these Covenant Not-to-Compete and No Solicitation provisions and agrees to abide by them.

## 6. TERMINATION

(a) Death. The Executive's employment hereunder shall terminate upon his death.

(b) Disability. If during the Term the Executive becomes physically or mentally disabled in accordance with the terms and conditions of any disability insurance policy covering the Executive, or, if due to such physical or mental disability the Executive becomes unable for a period of more than six (6) consecutive months to perform his duties hereunder on substantially a full-time basis as determined by the Company in its sole reasonable discretion, the Company may, at its option, terminate the Executive's employment hereunder upon not less than thirty (30) days' written notice.

(c) Cause. The Company may terminate the Executive's employment hereunder for Cause effective immediately upon notice. For purposes of this Agreement, the Company shall have "Cause" to terminate the Executive's employment hereunder: (i) if the Executive engages in conduct which has caused or is reasonably likely to cause demonstrable and serious injury to Company; (ii) if the Executive is convicted of a felony as evidenced by a binding and final judgment, order, or decree of a court of competent jurisdiction; (iii) for the Executive's neglect of his duties hereunder or the Executive's refusal to perform his duties or responsibilities hereunder as determined by the Company's Board of Directors in good faith; (iv) consistent failure to achieve goals established by the Board of Directors or their designate; (v) gross incompetence; (vi) for the Executive's violation of this Agreement, including, without limitation, Section 5 hereof; (vii) chronic absenteeism; (viii) for use of illegal drugs; (ix) insobriety by the Executive while performing his or her duties hereunder; and (x) for any act of dishonesty or falsification of reports, records, or information submitted by the Executive to the Company.

(d) Non-Compete Payment and Liquidated Damages. In the event of a termination of the Executive's employment pursuant to Section 6 or by the Executive, all payments and Company benefits to the Executive hereunder, except the payments (if any) provided below, shall immediately cease and terminate. In the event of a termination by the Company of the Executive's employment with the Company for any reason other than pursuant to Section 6(c), the Company shall pay the Executive Liquidated Damages as defined in (e) below for early termination of his employment and the Covenant Not-to-Compete set forth in

Section 5 hereof shall remain in full force and effect through the full stated Term of this Agreement; and additionally, from the end of the Term of this Agreement through the non-compete period stated on Exhibit "A", the Company shall pay the Executive Not-to-Compete pay in equal biweekly installments ("Non-Compete Payment Installments") in the amount set forth on Exhibit A ("Non-Compete Payment"). Such Non-Compete Payment, however, shall not be required to be paid by the Company if the Company elects, in its sole discretion, to release the Executive from the Covenant Not-to-Compete set forth in Section 5 hereof. Additionally, if the Company commences paying Executive Non-Compete Payment Installments and subsequently elects in the future, in its sole discretion, to release Executive from the Covenant Not-to-Compete and gives notice to Executive, then, at the effective date of such notice, Executive shall no longer be subject to the Covenant Not-to-Compete, and no further Non-Compete Payment Installments shall be due or payable to Executive. If the Company terminates the Executive's employment pursuant to Section 6(c) or the Executive terminates such employment, the Executive shall not be entitled to the Non-Compete Payment, and the Covenant Not-to-Compete set forth in Section 5 hereof shall remain in full force and effect. Notwithstanding anything to the contrary herein contained, the Executive shall receive all compensation and other benefits to which he was entitled under this Agreement or otherwise as an executive of the Company through the termination date.

(e) The Liquidated Damages amount, if due as provided above, shall be equal to the weekly amount stated on Exhibit A times the number of weeks remaining between the early termination date and the end of Term as stated on Exhibit A ("Liquidated Damages"). This amount shall be paid biweekly in equal installments over such period.

7. NOTICE. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when hand-delivered, sent by telecopier, facsimile transmission, or other electronic means of transmitting written documents (as long as receipt is acknowledged) or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive, to the address set forth on the signature page.

If to the Company:

Sykes Enterprises, Incorporated  
100 North Tampa Street, Suite 3900  
Tampa, Florida 33602  
Attention: President

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that a notice of change of address shall be effective only upon receipt.

8. ENFORCEMENT, GOVERNING LAW, AND ATTORNEY'S FEES. It is stipulated that a breach by Executive of the restrictive covenants set forth in Sections 4 and 5 of this Agreement will cause irreparable damage to Company or its Clients, and that in the event of any breach of those provisions, Company is entitled to injunctive relief restraining Executive from violating or continuing a violation of the restrictive covenants as well as other remedies it may have. Additionally, such covenants shall be enforceable against the Executive's successors or assigns or by successor assigns.

The validity, interpretation, construction, and performance of this Agreement shall be governed by the internal laws of the State of Florida. Any litigation to enforce this Agreement shall be brought in the state or federal courts of Hillsborough County, Florida, which is the principal place of business for Company and which is considered to be the place where this Agreement is made. Both parties hereby consent to such courts' exercise of personal jurisdiction over them.

Except where required, to enforce the restrictive covenants regarding Not-to-Compete, No Solicitation, and Confidential Information, as provided in Sections 4 and 5 of this Agreement, Company and the Executive will each pay their own attorney's fees and costs in the event Company or the Executive must enforce any of the other rights granted to them, regardless of the outcome of any action seeking to enforce rights under this Agreement.

9. MISCELLANEOUS. No provision of this Agreement may be modified or waived unless such waiver or modification is agreed to in writing signed by the parties hereto; provided, however, that the terms of the performance bonus and fringe benefits set forth or Exhibit A may be amended by the Company in its discretion without the Executive's consent to the extent provided therein. No waiver by any party hereto of any breach by any other party hereto shall be deemed a waiver of any similar or dissimilar term or condition at the same or at any prior or subsequent time. This Agreement is the entire agreement between the parties hereto with respect to the Executive's employment by the Company and there are no agreements or representations, oral or otherwise, expressed or implied, with respect to or related to the employment of the Executive which are not set forth in this Agreement. Any prior agreement relating to the Executive's employment with the Company is hereby superseded and void, and is no longer in effect. This Agreement shall be binding upon and inure to the benefit of the Company, its respective successors and assigns, and the Executive and his heirs, executors, administrators and legal representatives. Except as expressly set forth herein, no party shall assign any of his or its rights under this Agreement without the prior written consent of the other party and any attempted assignment without such prior written consent shall be null and void and without legal effect. The parties agree that if any provision of this Agreement shall under any circumstances be deemed invalid or inoperative, the Agreement shall be construed with the invalid or inoperative provision deleted and the rights and obligations of the parties shall be construed and enforced accordingly. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute but one and the same instrument. This Agreement has been negotiated and no party shall be considered as being responsible for such drafting for the purpose of applying any rule construing ambiguities against the drafter or otherwise.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

SYKES ENTERPRISES, INCORPORATED

EXECUTIVE

By:

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Charles E. Sykes

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Address

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**EXHIBIT A TO EMPLOYMENT AGREEMENT**

Charles E. Sykes

General Manager and Senior Vice President, Americas

This Exhibit A is attached to and made a part of that certain Employment Agreement dated effective March 6, 2000, entered into by and between Sykes Enterprise, Incorporated (the "Company") and Charles E. Sykes (the "Executive"), which supercedes and replaces all other Employment Agreements entered into by and between the Company and the Executive.

Effective Date:	July 6, 2001
Term:	Through March 5, 2004
Base Salary:	\$2,980.77 per week effective 7/6/01 \$3,175.98 per week effective 3/6/02
Performance Bonus:	0%-75% of annual base salary with 20% based on achieving the overall operating plan and 80% based on achieving the America's operating plan
Fringe Benefits:	Standard executive fringe benefits
Term of Covenant Not to Compete:	12 months
Non-Compete Payment	\$1,490.38 per week for 52 weeks through March 5, 2002 \$1,587.99 per week for 52 weeks effective March 6, 2002
Liquidated Damages:	\$1,490.38 per week through March 5, 2002 \$1,587.99 per week effective March 6, 2002

The Company reserves the right, at its sole discretion, at such time or times as it elects, to change or eliminate bonuses or other benefits.

IN WITNESS WHEREOF, the parties have executed this Exhibit A to the Employment Agreement as of the 6th day of July, 2001.

**SYKES ENTERPRISES, INCORPORATED EXECUTIVE**

By: /s/ Jenna R. Nelson /s/ Charles E. Sykes



**EMPLOYMENT AGREEMENT**

PLEASE READ THIS AGREEMENT CAREFULLY. THIS AGREEMENT DESCRIBES THE BASIC LEGAL AND ETHICAL RESPONSIBILITIES THAT YOU ARE REQUIRED TO OBSERVE AS AN EXECUTIVE EXPOSED TO HIGHLY SENSITIVE TECHNOLOGY AND STRATEGIC INFORMATION. CONSULT WITH YOUR LEGAL COUNSEL IF ALL THE TERMS AND PROVISIONS OF THIS AGREEMENT ARE NOT FULLY UNDERSTOOD BY YOU.

THIS AGREEMENT is made as of the 6th day of March, 2000, by and between SYKES ENTERPRISES, INCORPORATED, a Florida corporation (the "Company"), and JENNA NELSON (the "Executive").

**WITNESSETH:**

WHEREAS, the Company desires to assure itself of the Executive's continued employment in an executive capacity; and

WHEREAS, the Executive desires to be employed by the Company on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto covenant and agree as follows:

1. **EMPLOYMENT AND DUTIES.** Subject to the terms and conditions of this Agreement, the Company shall employ the Executive during the Term (as hereinafter defined) in such management capacities as may be assigned from time to time by the Company. The Executive accepts such employment and agrees to devote his best efforts and entire business time, skill, labor, and attention to the performance of such duties. The Executive agrees to promptly provide a description of any other commercial duties or pursuits engaged in by the Executive to the Company's Board of Directors. If the Board of Directors determines in good faith that such activities conflict with the Executive's performance of his duties hereunder, the Executive shall promptly cease such activities to the extent as directed by the Board of Directors. It is acknowledged and agreed that such description shall be made regarding any such activities in which the Executive owns more than 5% of the ownership of the organization or which may be in violation of Section 5 hereof, and that the failure of the Executive to provide any such description shall enable the Company to terminate the Executive for Cause (as provided in Section 6(c) hereof). The Company agrees to hold any such information provided by the Executive confidential and not disclose the same to any person other than a person to whom disclosure is reasonably necessary or appropriate in light of the circumstances. In addition, the Executive agrees to serve without additional compensation if elected or appointed to any office or position, including as a director, of the Company or any subsidiary or affiliate of the Company; provided, however, that the Executive shall be entitled to receive such benefits and additional compensation, if any, that is paid to executive officers of the Company in connection with such service.

2. **TERM.** Subject to the terms and conditions of this Agreement, including, but not limited to, the provisions for termination set forth in Section 6 hereof, the employment of the Executive under this Agreement shall commence on the effective date hereof and shall continue through and including the close of business on the date hereof as set forth on Exhibit A attached hereto and incorporated herein (such term shall herein be defined as the "Term"). The Executive agrees that some portions of this Agreement, including Sections 4, 5, and 6 hereof, will remain in force after the termination of this Agreement.

3. **COMPENSATION.**

(a) **Base Salary and Bonus.** As compensation for the Executive's services under this Agreement, the Executive shall receive and the Company shall pay a weekly base salary set forth on Exhibit A. Such base salary may be increased but not decreased during the Term in the Company's discretion based upon the Executive's performance and any other factors the Company deems relevant. Such base salary shall be payable in accordance with the policy then prevailing for the Company's executives. In addition to such base salary, the Executive shall be entitled during the Term

to a performance bonus set forth on Exhibit A and to participate in and receive payments from, at the Company's election, other bonus and other incentive compensation plans, if any, as may be adopted by the Company.

(b) Payments. All amounts paid pursuant to this Agreement shall be subject to withholding or deduction by reason of the Federal Insurance Contribution Act, federal income tax, state and local income tax, if any, and comparable laws and regulations.

(c) Other Benefits. The Executive shall be reimbursed by the Company for all reasonable and customary travel and other business expenses incurred by the Executive in the performance of the Executive's duties hereunder in accordance with the Company's standard policy regarding expense verification practices. The Executive shall be entitled to that number of weeks paid vacation per year that is available to other executive officers of the Company in accordance with the Company's standard policy regarding vacations and such other fringe benefits as may be set forth on Exhibit A and shall be eligible to participate in such pension, life insurance, health insurance, disability insurance, and other executive benefits plans, if any, which the Company may from time to time make available to its executive officers generally.

#### 4. CONFIDENTIAL INFORMATION.

(a) The Executive has acquired and will acquire information and knowledge respecting the intimate and confidential affairs of the Company, including, without limitation, confidential information with respect to the Company's technical data, research and development projects, methods, products, software, financial data, business plans, financial plans, customer lists, business methodology, processes, production methods and techniques, promotional materials and information, and other similar matters treated by the Company as confidential (the "Confidential Information"). Accordingly, the Executive covenants and agrees that during the Executive's employment by the Company (whether during the Term hereof or otherwise) and thereafter, the Executive shall not, without the prior written consent of the Company, disclose to any person, other than a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of the Executive's duties hereunder, any Confidential Information obtained by the Executive while in the employ of the Company.

(b) The Executive agrees that all memoranda; notes; records; papers or other documents; computer disks; computer, video or audio tapes; CD-ROMs; all other media and all copies thereof relating to the Company's operations or business, some of which may be prepared by the Executive; and all objects associated therewith in any way obtained by the Executive shall be the Company's property. This shall include, but is not limited to, documents; computer disks; computer, video and audio tapes; CD-ROMs; all other media and objects concerning any technical data, methods, products, software, research and development projects, financial data, financial plans, business plans, customer lists, contracts, price lists, manuals, mailing lists, advertising materials; and all other materials and records of any kind that may be in the Executive's possession or under the Executive's control. The Executive shall not, except for the Company's use, copy or duplicate any of the aforementioned documents or objects, nor remove them from the Company's facilities, nor use any information concerning them except for the Company's benefit, either during the Executive's employment or thereafter. The Executive covenants and agrees that the Executive will deliver all of the aforementioned documents and objects, if any, that may be in the Executive's possession to the Company upon termination of the Executive's employment, or at any other time at the Company's request.

(c) In any action to enforce or challenge these Confidential Information provisions, the prevailing party is entitled to recover its attorney's fees and costs.

5. COVENANT NOT-TO-COMPETE AND NO SOLICITATION. Executive recognizes that the Company is in the business of employing individuals to provide specialized and technical services to the Company's Clients. The purpose of these Covenant Not-to-Compete and No Solicitation provisions are to protect the relationship which exists between the Company and its Client while Executive is employed and after Executive leaves the employ of the Company. The consideration for these Covenant Not-to-Compete and No Solicitation provisions is the Executive's employment with the Company.

(a) Executive acknowledges the following:

(1) The Company expended considerable resources in obtaining contracts with its Clients;

- (2) The Company expended considerable resources to recruit and hire employees who could perform services for its Clients;
- (3) Through his/her employ with the Company, Executive will develop a substantial relationship with the Company's existing or potential Clients, including, but not limited to, being the sole or primary contact between the Client and the Company;
- (4) Executive will be exposed to valuable confidential business information about the Company, its Clients, and the Company's relationship with its Client;
- (5) By providing services on behalf of the Company, Executive will develop and enhance the valuable business relationship between the Company and its Client;
- (6) The relationship between the Company and its Client depends on the quality and quantity of the services Executive performs;
- (7) Through employment with the Company, Executive will increase his/her opportunity to work directly for the Client or for a competitor of the Company; and
- (8) The Company will suffer irreparable harm if Executive breaches these Covenant Not-to-Compete and No Solicitation provisions of this Agreement.

(b) Executive agrees that:

- (1) The relationship between the Company and its Client (developed and enhanced when the Executive performs services on behalf of the Company) is a legitimate business interest for the Company to protect;
- (2) The Company's legitimate business interest is protected by the existence and enforcement of these Covenant Not-to-Compete and No Solicitation provisions;
- (3) The business relationship which is created or exists between the Company and its Client, or the goodwill resulting from it, is a business asset of the Company and not the Executive; and
- (4) Executive will not seek to take advantage of opportunities which result from his/her employment with the Company and that entering into the Agreement containing Covenant Not-to-Compete and No Solicitation provisions is reasonable to protect the Company's business relationship with its Clients.

(c) Restrictions on Executive. During the term of this Agreement and for a period of time set forth on Exhibit A after the termination of this Agreement, for whatever reason, whether such termination was by the Company or the Executive, voluntarily or involuntarily, and whether with or without cause, Executive agrees that he/she shall not, as a principal, employer, stockholder, partner, agent, consultant, independent contractor, employee, or in any other individual or representative capacity:

- (1) Directly or indirectly engage in, continue in, or carry on the business of the Company or any business substantially similar thereto, including owning or controlling any financial interest in any corporation, partnership, firm, or other form of business organization which competes with or is engaged in or carries on any aspect of such business or any business substantially similar thereto;
- (2) Consult with, advise, or assist in any way, whether or not for consideration, any corporation, partnership, firm, or other business organization which is now, becomes, or may become a competitor of the Company in any aspect of the Company's business during the Executive's employment with the Company, including, but not limited to, advertising or otherwise endorsing the products of any such competitor or loaning money or rendering any other form of financial assistance to or engaging in any form of transaction whether or not on an arm's length basis with any such competitor;

(3) Provide or attempt to provide or solicit the opportunity to provide or advise others of the opportunity to provide any services of the type Executive performed for the Company or the Company's Clients (regardless of whether and how such services are to be compensated, whether on a salaried, time and materials, contingent compensation, or other basis) to or for the benefit of any Client (i) to which Executive has provided services in any capacity on behalf of the Company, or (ii) to which Executive has been introduced to or about which the Executive has received information through the Company or through any Client from which Executive has performed services in any capacity on behalf of the Company;

(4) Retain or attempt to retain, directly or indirectly, for itself or any other party, the services of any person, including any of the Company's employees, who were providing services to or on behalf of the Company while Executive was employed by the Company and to whom Executive has been introduced or about whom Executive has received information through Employer or through any Client for which Executive has performed services in any capacity on behalf of the Company;

(5) Engage in any practice, the purpose of which is to evade the provisions of this Agreement or to commit any act which is detrimental to the successful continuation of or which adversely affects the business or the Company; provided, however, that the foregoing shall not preclude the Executive's ownership of not more than 2% of the equity securities registered under Section 12 of the Securities Exchange Act of 1934, as amended; or

(6) For purpose of these Covenant Not-to-Compete and No Solicitation provisions, Client includes any subsidiaries, affiliates, customers, and clients of the Company's Clients. The Executive agrees that the geographic scope of this Covenant Not-to-Compete shall extend to the geographic area where the Company's Clients conduct business at any time during the Term of this Agreement. For purposes of this Agreement, "Clients" means any person or entity to which the Company provides or has provided within a period of one (1) year prior to the Executive's termination of employment labor, materials or services for the furtherance of such entity's or person's business or any person or entity that within such period of one (1) year the Company has pursued or communicated with for the purpose of obtaining business for the Company.

(d) Enforcement. These Covenant Not-to-Compete and No Solicitation provisions shall be construed and enforced under the laws of the State of Florida. In the event of any breach of this Covenant Not-to-Compete, the Executive recognizes that the remedies at law will be inadequate, and that in addition to any relief at law which may be available to the Company for such violation or breach and regardless of any other provision contained in this Agreement, the Company shall be entitled to equitable remedies (including an injunction) and such other relief as a court may grant after considering the intent of this Section 5. It is further acknowledged and agreed that the existence of any claim or cause of action on the part of the Executive against the Company, whether arising from this Agreement or otherwise, shall in no way constitute a defense to the enforcement of this Covenant Not-to-Compete, and the duration of this Covenant Not-to-Compete shall be extended in an amount which equals the time period during which the Executive is or has been in violation of this Covenant Not-to-Compete. In the event a court of competent jurisdiction determines that the provisions of this Covenant Not-to-Compete are excessively broad as to duration, geographic scope, prohibited activities or otherwise, the parties agree that this covenant shall be reduced or curtailed to the extent necessary to render it enforceable.

(e) In an action to enforce or challenge these Covenant Not-to-Compete and No Solicitation provisions, the prevailing party is entitled to recover its attorney's fees and costs.

(f) By signing this Agreement, the Executive acknowledges that he/she understands the effects of these Covenant Not-to-Compete and No Solicitation provisions and agrees to abide by them.

## 6. TERMINATION

(a) Death. The Executive's employment hereunder shall terminate upon his death.

(b) Disability. If during the Term the Executive becomes physically or mentally disabled in accordance with the terms and conditions of any disability insurance policy covering the Executive, or, if due to such physical or mental disability the Executive becomes unable for a period of more than six (6) consecutive months to perform his duties hereunder on substantially a full-time basis as determined by the Company in its sole reasonable

discretion, the Company may, at its option, terminate the Executive's employment hereunder upon not less than thirty (30) days' written notice.

(c) Cause. The Company may terminate the Executive's employment hereunder for Cause effective immediately upon notice. For purposes of this Agreement, the Company shall have "Cause" to terminate the Executive's employment hereunder: (i) if the Executive engages in conduct which has caused or is reasonably likely to cause demonstrable and serious injury to Company; (ii) if the Executive is convicted of a felony as evidenced by a binding and final judgment, order, or decree of a court of competent jurisdiction; (iii) for the Executive's neglect of his duties hereunder or the Executive's refusal to perform his duties or responsibilities hereunder as determined by the Company's Board of Directors in good faith; (iv) consistent failure to achieve goals established by the Board of Directors or their designate; (v) gross incompetence; (vi) for the Executive's violation of this Agreement, including, without limitation, Section 5 hereof; (vii) chronic absenteeism; (viii) for use of illegal drugs; (ix) insobriety by the Executive while performing his or her duties hereunder; and (x) for any act of dishonesty or falsification of reports, records, or information submitted by the Executive to the Company.

(d) Non-Compete Payment and Liquidated Damages. In the event of a termination of the Executive's employment pursuant to Section 6 or by the Executive, all payments and Company benefits to the Executive hereunder, except the payments (if any) provided below, shall immediately cease and terminate. In the event of a termination by the Company of the Executive's employment with the Company for any reason other than pursuant to Section 6(c), the Company shall pay the Executive Liquidated Damages as defined in (e) below for early termination of his employment and the Covenant Not-to-Compete set forth in

Section 5 hereof shall remain in full force and effect through the full stated Term of this Agreement; and additionally, from the end of the Term of this Agreement through the non-compete period stated on Exhibit "A", the Company shall pay the Executive Not-to-Compete pay in equal biweekly installments ("Non-Compete Payment Installments") in the amount set forth on Exhibit A ("Non-Compete Payment"). Such Non-Compete Payment, however, shall not be required to be paid by the Company if the Company elects, in its sole discretion, to release the Executive from the Covenant Not-to-Compete set forth in Section 5 hereof. Additionally, if the Company commences paying Executive Non-Compete Payment Installments and subsequently elects in the future, in its sole discretion, to release Executive from the Covenant Not-to-Compete and gives notice to Executive, then, at the effective date of such notice, Executive shall no longer be subject to the Covenant Not-to-Compete, and no further Non-Compete Payment Installments shall be due or payable to Executive. If the Company terminates the Executive's employment pursuant to Section 6(c) or the Executive terminates such employment, the Executive shall not be entitled to the Non-Compete Payment, and the Covenant Not-to-Compete set forth in Section 5 hereof shall remain in full force and effect. Notwithstanding anything to the contrary herein contained, the Executive shall receive all compensation and other benefits to which he was entitled under this Agreement or otherwise as an executive of the Company through the termination date.

(e) The Liquidated Damages amount, if due as provided above, shall be equal to the weekly amount stated on Exhibit A times the number of weeks remaining between the early termination date and the end of Term as stated on Exhibit A ("Liquidated Damages"). This amount shall be paid biweekly in equal installments over such period.

7. NOTICE. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when hand-delivered, sent by telecopier, facsimile transmission, or other electronic means of transmitting written documents (as long as receipt is acknowledged) or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive, to the address set forth on the signature page.

If to the Company:                   Sykes Enterprises, Incorporated  
100 North Tampa Street, Suite 3900  
Tampa, Florida 33602  
Attention: Sr. VP Human Resources

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that a notice of change of address shall be effective only upon receipt.

8. ENFORCEMENT, GOVERNING LAW, AND ATTORNEY'S FEES. It is stipulated that a breach by Executive of the restrictive covenants set forth in Sections 4 and 5 of this Agreement will cause irreparable damage to Company or its Clients, and that in the event of any breach of those provisions, Company is entitled to injunctive relief restraining Executive from violating or continuing a violation of the restrictive covenants as well as other remedies it may have. Additionally, such covenants shall be enforceable against the Executive's successors or assigns or by successor assigns.

The validity, interpretation, construction, and performance of this Agreement shall be governed by the internal laws of the State of Florida. Any litigation to enforce this Agreement shall be brought in the state or federal courts of Hillsborough County, Florida, which is the principal place of business for Company and which is considered to be the place where this Agreement is made. Both parties hereby consent to such courts' exercise of personal jurisdiction over them.

Except where required, to enforce the restrictive covenants regarding Not-to-Compete, No Solicitation, and Confidential Information, as provided in Sections 4 and 5 of this Agreement, Company and the Executive will each pay their own attorney's fees and costs in the event Company or the Executive must enforce any of the other rights granted to them, regardless of the outcome of any action seeking to enforce rights under this Agreement.

9. MISCELLANEOUS. No provision of this Agreement may be modified or waived unless such waiver or modification is agreed to in writing signed by the parties hereto; provided, however, that the terms of the performance bonus and fringe benefits set forth or Exhibit A may be amended by the Company in its discretion without the Executive's consent to the extent provided therein. No waiver by any party hereto of any breach by any other party hereto shall be deemed a waiver of any similar or dissimilar term or condition at the same or at any prior or subsequent time. This Agreement is the entire agreement between the parties hereto with respect to the Executive's employment by the Company and there are no agreements or representations, oral or otherwise, expressed or implied, with respect to or related to the employment of the Executive which are not set forth in this Agreement. Any prior agreement relating to the Executive's employment with the Company is hereby superseded and void, and is no longer in effect. This Agreement shall be binding upon and inure to the benefit of the Company, its respective successors and assigns, and the Executive and his heirs, executors, administrators and legal representatives. Except as expressly set forth herein, no party shall assign any of his or its rights under this Agreement without the prior written consent of the other party and any attempted assignment without such prior written consent shall be null and void and without legal effect. The parties agree that if any provision of this Agreement shall under any circumstances be deemed invalid or inoperative, the Agreement shall be construed with the invalid or inoperative provision deleted and the rights and obligations of the parties shall be construed and enforced accordingly. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute but one and the same instrument. This Agreement has been negotiated and no party shall be considered as being responsible for such drafting for the purpose of applying any rule construing ambiguities against the drafter or otherwise.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

**SYKES ENTERPRISES, INCORPORATED EXECUTIVE**

By: /s/ David L. Grimes  
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/s/ Jenna R. Nelson  
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Address:  
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## Exhibit A to Employment Agreement

This Exhibit A is attached to and made a part of that certain Employment Agreement effective March 6, 2000, entered into by and between Sykes Enterprise, Incorporated (the "Company") and Jenna R. Nelson (the "Executive"), which supercedes and replaces all other Employment Agreements entered into by and between the Company and the Executive.

Effective Date:	July 6, 2001
Term:	Through March 5, 2004
Base Salary:	\$2,403.85 per week through March 5, 2002 \$2,644.24 per week effective March 6, 2002
Performance Bonus:	0% - 35% of annual base salary with 15% based on achievement of the Company operating plan and 85% based on attainment of the Human Resource organizations plan objectives.
Fringe Benefits:	Standard executive fringe benefits
Term of Covenant Not to Compete:	12 months
Non-Compete Payment	\$1,201.92 per week for 52 weeks through March 5, 2002 \$1,322.12 per week for 52 weeks effective March 6, 2002
Liquidated Damages:	\$1,201.92 per week through March 5, 2002 \$1,322.12 per week effective March 6, 2002

The Company reserves the right, at its sole discretion, at such time or times as it elects, to change or eliminate bonuses or other benefits.

IN WITNESS WHEREOF, the parties have executed this Exhibit A to the Employment Agreement as of 6th day of July, 2001.

**SYKES ENTERPRISES, INCORPORATED EXECUTIVE**

By: /s/ John H. Sykes /s/ Jenna R. Nelson

## EXHIBIT 15

November 14, 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 periods ended September 30, 2001, as indicated in our report dated October 29, 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 September 30, 2001, is incorporated by reference in Registration Statement Nos. 333-23681, 333-76629, 333-88359, and 333-73260 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*

*Certified Public Accountants*

**Tampa Florida**

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