

SYKES ENTERPRISES INC

FORM 10-Q (Quarterly Report)

Filed 04/28/98 for the Period Ending 03/31/98

| | |
|-------------|---|
| 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 4/28/1998 For Period Ending 3/31/1998

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

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the quarterly period ended March 31, 1998

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) | ----- (I.R.S. Employer Identification No.) |
| 100 North Tampa Street, Suite 3900, Tampa, FL | 33602 |
| ----- (Address of principal executive office) | ----- (Zip Code) |
| 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:

Common Stock, \$0.01 Par Value, 39,133,216 shares as of April 27, 1998

PART I

ITEM 1 - FINANCIAL STATEMENTS

**SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED BALANCE SHEETS**

| | DECEMBER 31, 1997 | MARCH 31, 1998 |
|--|----------------------|-------------------|
| | ----- | ----- |
| ASSETS | (Unaudited) | |
| Current assets | | |
| Cash and cash equivalents | \$ 70,523,067 | \$ 27,902,400 |
| Receivables, including unbilled | 68,520,471 | 75,664,256 |
| Prepaid expenses and other current assets | 11,377,920 | 13,977,704 |
| | ----- | ----- |
| Total current assets | 150,421,458 | 117,544,360 |
| Property and equipment, net | 71,282,183 | 72,889,748 |
| Marketable securities | 7,800,002 | 3,931,408 |
| Investment in joint venture | 2,285,142 | 6,253,120 |
| Deferred charges and other assets | 9,874,680 | 10,483,075 |
| | ----- | ----- |
| | \$ 241,663,465 | \$ 211,101,711 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current installments of long-term debt | \$ 2,989,271 | \$ 1,141,424 |
| Accounts payable | 19,905,671 | 19,742,216 |
| Income tax payable | 2,725,177 | 4,378,650 |
| Accrued employee compensation and benefits | 10,035,233 | 12,583,677 |
| Other accrued expenses and current liabilities | 6,449,650 | 10,979,865 |
| | ----- | ----- |
| Total current liabilities | 42,105,002 | 48,825,832 |
| Long-term debt | 33,312,597 | 2,009,480 |
| Deferred income taxes | 4,374,963 | 4,072,515 |
| Deferred grants | 14,083,691 | 13,635,868 |
| | ----- | ----- |
| Total liabilities | 93,876,253 | 68,543,695 |
| | ----- | ----- |
| Commitments and contingencies (Notes 1 and 4) | | |
| Shareholders' equity | | |
| Preferred stock, \$0.01 par value, 10,000,000 shares authorized; no shares issued and outstanding | -- | -- |
| Common stock, \$0.01 par value; 200,000,000 shares authorized; 39,057,626 and 39,129,986 shares issued and outstanding | 390,576 | 391,300 |
| Additional paid-in capital | 133,579,200 | 133,610,048 |
| Retained earnings | 17,106,620 | 15,634,963 |
| Unrealized loss on securities, net of taxes | (734,518) | (3,603,112) |
| Accumulated foreign currency translation adjustments | (2,554,666) | (3,475,183) |
| | ----- | ----- |
| Total shareholders' equity | 147,787,212 | 142,558,016 |
| | ----- | ----- |
| | \$ 241,663,465 | \$ 211,101,711 |
| | ===== | ===== |

See accompanying notes to consolidated financial statements

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 30, 1997 AND MARCH 31, 1998
(Unaudited)

| | 1997 | 1998 |
|---|---------------|----------------|
| | ----- | ----- |
| Revenues | \$ 66,596,945 | \$ 89,149,324 |
| | ----- | ----- |
| Operating expenses | | |
| Direct salaries and related costs | 39,639,200 | 55,643,607 |
| General and administrative | 19,305,926 | 23,472,489 |
| | ----- | ----- |
| Total operating expenses | 58,945,126 | 79,116,096 |
| | ----- | ----- |
| Income from operations | 7,651,819 | 10,033,228 |
| Other income (expense) | | |
| Interest, net | 383,469 | 76,748 |
| Net loss from joint venture | -- | (8,015,149) |
| Other | 58,401 | (12,484) |
| | ----- | ----- |
| Total other income (expense) | 441,870 | (7,950,885) |
| | ----- | ----- |
| Income before income taxes | 8,093,689 | 2,082,343 |
| Provision for income taxes | 2,946,821 | 3,554,000 |
| | ----- | ----- |
| Net income (loss) | \$ 5,146,868 | \$ (1,471,657) |
| | ===== | ===== |
| | | |
| Basic net income (loss) per share | \$ 0.13 | \$ (0.04) |
| | ===== | ===== |
| Diluted net income (loss) per share | \$ 0.13 | \$ (0.04) |
| | ===== | ===== |
| | | |
| Shares outstanding | | |
| Basic | 38,858,274 | 39,058,422 |
| Diluted | 40,164,647 | 40,156,812 |

See accompanying notes to consolidated financial statements

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 30, 1997 AND MARCH 31, 1998
(Unaudited)

| | 1997 | 1998 |
|--|---------------|----------------|
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 5,146,868 | \$ (1,471,657) |
| Depreciation and amortization | 2,741,652 | 3,835,693 |
| In-process research and development costs expensed by joint venture | -- | 8,042,500 |
| Deferred income taxes | 543,557 | (406,637) |
| Loss (gain) on disposal of property and equipment | 1,700 | (2,230) |
| Changes in assets and liabilities: | | |
| Receivables, including unbilled | (4,493,740) | (7,373,311) |
| Prepaid expenses and other current assets | (1,360,976) | (2,807,176) |
| Deferred charges and other assets | (1,712,782) | (768,802) |
| Accounts payable | (368,660) | (163,455) |
| Income taxes payable | 1,893,400 | 2,066,714 |
| Accrued employee compensation and benefits | 1,808,617 | 2,548,444 |
| Other accrued expenses and current liabilities | (2,017,507) | 4,663,730 |
| Net cash provided by operating activities | 2,182,129 | 8,163,813 |
| Cash flows from investing activities: | | |
| Capital expenditures | (4,538,469) | (5,749,649) |
| Investment in joint venture | -- | (12,016,127) |
| Acquisition of business | (1,800,000) | -- |
| Proceeds from sale of marketable security | -- | 1,000,000 |
| Proceeds from sale of property and equipment | 3,854 | 21,205 |
| Net cash used for investing activities | (6,334,615) | (16,744,571) |
| Cash flows from financing activities: | | |
| Proceeds from grants | 187,428 | -- |
| Proceeds from issuance of stock..... | -- | 31,572 |
| Proceeds from issuance of long-term debt | 8,080,874 | -- |
| Payment of long-term debt | (1,771,189) | (33,150,964) |
| Net cash provided by (used for) financing activities | 6,497,113 | (33,119,392) |
| Adjustment for foreign currency translation | (596,688) | (920,517) |
| Net increase (decrease) in cash and cash equivalents | 1,747,939 | (42,620,667) |
| Cash and cash equivalents - beginning | 92,836,884 | 70,523,067 |
| Cash and cash equivalents - ending | \$ 94,584,823 | \$ 27,902,400 |

See accompanying notes to consolidated financial statements

SYKES ENTERPRISES, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MARCH 30, 1997 AND MARCH 31, 1998 (Unaudited)

Sykes Enterprises, Incorporated and consolidated subsidiaries (the "Company") provides integrated information technology outsourcing services including information technology support services, information technology development services and solutions. The Company's services are provided to a wide variety of industries.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with 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 of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. For further information, refer to the consolidated financial statements and notes thereto as of and for the year ended December 31, 1997 included in the Company's Form 10-K dated December 31, 1997 as filed with the United States Securities and Exchange Commission on March 16, 1998.

NOTE 1 - ACQUISITIONS AND MERGERS

On March 31, 1997, the Company acquired Info Systems of North Carolina, Inc. ("Info Systems") in exchange for approximately 1.1 million shares of the Company's common stock. The Company accounted for the acquisition utilizing the pooling-of-interests method of accounting. Info Systems is engaged in the design, development, licensing and support of information management solutions to the retail, manufacturing and distribution industries.

On June 16, 1997, the Company acquired all of the stock of Telcare Gesellschaft fur Telekommunikations-Mehrwertdienste mbH ("Telcare") of Wilhelmshaven, Germany, in exchange for 750,000 shares of the Company's common stock. The Company accounted for the acquisition utilizing the pooling-of-interests method of accounting. Telcare operates an information technology call center and provides technical support and service to numerous industries in Germany.

On September 26, 1997, the Company acquired all of the stock of TAS Telemarketing Gesellschaft fur Kommunikation und Dialog mbH ("TAS I") of Bochum, Germany in exchange for 400,000 shares of the Company's common stock. The Company accounted for the acquisition utilizing the pooling-of-interests method of accounting. TAS I provides technical call center support and customer care services, database development, consulting and training services to customers in Germany and surrounding countries.

On September 26, 1997, the Company acquired all of the stock of TAS Hedi Fabinyi GmbH ("TAS II") of Stuttgart, Germany, in exchange for 180,000 shares of the Company's common stock. The Company accounted for the acquisition utilizing the pooling-of-interests method of accounting. TAS II provides technical call center support and customer care services, to customers in Germany and surrounding countries.

On December 31, 1997, the Company acquired all of the stock of McQueen International Limited ("McQueen") of Galashiels, Scotland, in exchange for 3,540,000 shares of the Company's common stock. The Company accounted for the acquisition utilizing the pooling-of-interests method of accounting. McQueen provides inbound call center support and customer service, software fulfillment and foreign language translation and localization services.

SYKES ENTERPRISES, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 30, 1997 AND MARCH 31, 1998
(Unaudited)

NOTE 1 - ACQUISITIONS AND MERGERS, continued

The above transactions have been accounted for as pooling-of-interests and, accordingly, the consolidated financial statements for the periods presented have been restated to include the accounts of Info Systems, Telcare, TAS I, TAS II and McQueen.

Separate results of operations for the period prior to the mergers with Info Systems, Telcare, TAS I, TAS II and McQueen are outlined below.

| | Three months ended March 30, 1997 |
|--|---|
| | ----- |
| Revenue: | |
| Sykes | \$ 38,245,596 |
| Info Systems | 7,022,451 |
| Telcare | 1,404,904 |
| TAS I | 1,090,506 |
| TAS II | 408,000 |
| McQueen | 18,425,488 |
| | ----- |
| Combined | \$ 66,596,945 |
| | ===== |
| Net income: | |
| Sykes | \$ 4,021,527 |
| Info Systems | 46,186 |
| Telcare | 42,589 |
| TAS I | 71,000 |
| TAS II | 28,000 |
| McQueen | 937,566 |
| | ----- |
| Combined | \$ 5,146,868 |
| | ===== |
| Other changes in shareholders' equity: | |
| Sykes | \$ (337,279) |
| Info Systems | -- |
| Telcare | -- |
| TAS I | -- |
| TAS II | -- |
| McQueen | (259,409) |
| | ----- |
| Combined | \$ (596,688) |
| | ===== |

NOTE 2 - MARKETABLE SECURITIES

During May 1997, the Company purchased approximately 1.066 million shares of SystemSoft Corp. common stock in conjunction with a strategic technology exchange agreement between the parties. In accordance with Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities", this investment is classified as an available-for-sale security and is carried at an aggregate market value of \$3.9 million as of March 31, 1998. The Company's cost basis in this investment is \$8.0 million, and the unrealized loss of \$3.6 million, net of deferred income taxes of approximately \$1.1 million, is reported as a separate component of shareholders' equity.

SYKES ENTERPRISES, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 30, 1997 AND MARCH 31, 1998
(Unaudited)

NOTE 3 - INVESTMENT IN JOINT VENTURE

The Company has a 50% interest in a joint venture that is accounted for using the equity method of accounting. Accordingly, the Company records its proportionate share of the gains and losses of the joint venture in the consolidated statement of income.

During March 1998, the Company's joint venture entity acquired Health International ("HI") and Prudential Service Bureau, Inc. ("PSBI"). The combined purchase price of the two acquisitions was \$72.6 million. HI is a disease management company that provides a comprehensive managed medical care program for employees and plan administrators. PSBI provides a wide range of call center-based health and welfare benefits and administrative services.

These acquisitions were accounted for by the joint venture utilizing the purchase method of accounting. As a result, the Company recorded non-recurring charges of approximately \$8.0 million, primarily representing its share of the joint venture's acquired in-process research and development.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

During February 1998, the Company entered into a new \$150.0 million syndicated facility which provides for multi-currency lending. This new facility accrues borrowings at tiered levels between 75 and 175 basis points above listed LIBOR pursuant to a defined ratio calculation within the agreement. The facility, which matures in February 2001, contains certain financial covenants associated with debt, leverage and coverage ratios and capital expenditures and acquisitions as defined by the agreement. There were no borrowings under this syndicated credit facility at March 31, 1998.

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

NOTE 5 - COMPREHENSIVE INCOME

Effective January 1, 1998 the Company has adopted Financial Accounting Standards No. 130 "Reporting Comprehensive Income" which requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in the financial statements. Prior periods will be reclassified as required. The Company's total comprehensive earnings were as follows:

| | Three months ended | |
|---|--------------------|-------------------|
| | March 30, 1997 | March 31, 1998 |
| Net income (loss) | \$5,146,868 | \$ (1,471,657) |
| Other comprehensive earnings (losses): | | |
| Change in equity due to foreign currency translation adjustments | (596,688) | (920,517) |
| Comprehensive earnings | \$4,550,180 | \$ (2,392,174) |
| | ===== | ===== |

NOTE 6 - EARNINGS PER SHARE

Basic earnings per share are based on the weighted average number of common shares outstanding during the periods. Diluted earnings per share includes the weighted average number of common shares outstanding during the periods and the further dilution from stock options using the treasury stock method.

SYKES ENTERPRISES, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 30, 1997 AND MARCH 31, 1998
(Unaudited)

NOTE 6 - EARNINGS PER SHARE, continued

The numbers of shares used in the earnings per share computation are as follows:

| | Three months ended | |
|---|--------------------|-------------------|
| | March 30, 1997 | March 31, 1998 |
| | ----- | ----- |
| Basic: | | |
| Weighted average common outstanding | 38,858,274 | 39,058,422 |
| | ----- | ----- |
| Total basic | 38,858,274 | 39,058,422 |
| Diluted: | | |
| Dilution of stock options | 1,306,373 | 1,098,390 |
| | ----- | ----- |
| Total diluted | 40,164,647 | 40,156,812 |
| | ===== | ===== |

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

The following should be read in conjunction with the Sykes Enterprises, Incorporated ("Sykes" or the "Company") Consolidated Financial Statements, including the notes thereto. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Future events and the Company's actual results could differ materially from the results reflected in these forward-looking statements, as a result of certain of the factors set forth below and elsewhere in this analysis.

FINANCIAL CONDITION

The Company's primary sources of liquidity are equity offerings, cash flows from operations and available borrowings under its credit facility. The Company has utilized these proceeds and the balance of the funds available from its equity offerings to make additional capital expenditures associated primarily with its technical support services, to repay debt associated with entities it has acquired subsequent to the public offerings, to acquire interest in and provide capitalization to a joint venture entry into the healthcare service industry, invest in technology applications to further the Company's service offerings, and for working capital and general corporate purposes. In addition, the Company intends similar uses from the balance of its funds, including possible additional acquisitions. Pending any such use, the Company will invest the balance of its funds in short-term, investment-grade securities or money market instruments.

During February 1998, the Company entered into a new \$150.0 million syndicated facility which provides for multi-currency lending. This new facility accrues borrowings at tiered levels between 75 and 175 basis points above listed LIBOR pursuant to a defined ratio calculation within the agreement. The facility, which matures in February 2001, contains certain financial covenants associated with debt, leverage and coverage ratios and capital expenditures and acquisitions as defined by the agreement.

During the three month period ended March 31, 1998, the Company generated approximately \$8.2 million in cash, net, from operations. The Company utilized these funds and its available cash and cash equivalents to fund \$33.2 million repayment of debt, \$12.0 million of additional capitalization in a joint venture and \$5.7 million of capital expenditures. The debt repayments were associated with assumed debt levels resulting from certain acquisitions the Company completed during 1997. During the first quarter of 1998, the Company invested approximately \$12.0 million of additional capital in a joint venture entity, Sykes Health Plan Services, Inc. The capital equipment expenditures were predominately the result of the Company's continued expansion, both domestically and internationally, in providing technical product support services. The Company has recently announced commencement of construction of its tenth domestic call center (twenty-first total) and anticipates that this new facility will become operational during the third quarter of 1998. Pursuant to contractual terms, the Company will receive a package of incentives associated with this center consistent with those previously obtained.

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

RESULTS OF OPERATIONS

For the three months ended March 31, 1998, the Company recorded consolidated revenues of \$89.1 million, an increase of approximately \$22.5 million, or 34%, from the \$66.6 million

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

of the comparable period of the previous year. These results reflect an increase in revenues of \$12.1 million from information technology support services provided through IT call centers, an increase in revenues of \$10.9 million from fulfillment services, partially offset by a decrease of \$0.5 million from information technology services and solutions. The increase in information technology support services revenues was primarily attributable to an increase in the number of IT call centers providing services throughout the period and the resultant increase in call volumes from clients. During the fourth quarter of 1997, the Company opened two new IT call centers which were fully operational during the first quarter of 1998. The increase in fulfillment services revenue is primarily associated with an acquisition completed during the second quarter of 1997 by McQueen, which was accounted for utilizing the purchase method of accounting. The decrease in information technology services and solutions was primarily attributable to the decrease in software sales.

Direct salaries and related costs increased approximately \$16.0 million to \$55.6 million, or 40%, in the three-month period in 1998 from \$39.6 million in the comparable period in 1997. As a percentage of revenues, direct salaries and related costs increased to approximately 62% in the 1998 quarter from approximately 60% from the same quarter in 1997. The increase in the amount of direct salaries and related costs was primarily attributable to the change in the Company's mix of business associated with the McQueen acquisition and the addition of personnel to support revenue growth.

General and administrative expenses increased approximately \$4.2 million to \$23.5 million, or 22%, in the 1998 period, from \$19.3 million during the same period in 1997. As a percentage of revenues, however, general and administrative expenses decreased to 26% in 1998 from 29% in 1997. The increase in the amount of general and administrative expenses was primarily attributable to the addition of management, sales and administrative personnel to support the Company's growth. The decrease as a percentage of revenues resulted from economies of scale associated with spreading costs over a larger revenue base.

Interest and other expense was \$8.0 million during the first quarter of 1998 from interest and other income of \$0.4 million during the comparable 1997 period. As a percentage of revenues, interest and other expense was approximately 9% in 1998 from interest and other income of 1% in 1997. The increase in interest and other expense was primarily attributable to the occurrence of approximately \$8.0 million of acquisition-related, in-process research and development costs associated with the acquisitions completed by the joint venture, which was recorded as other expense. During 1998, the Company repaid a significant amount of outstanding bank debt.

The provision for income taxes increased to \$3.6 million in the first quarter of 1998 from \$2.9 million in 1997, however, as a percentage of revenue, decreased to 4.0% during the 1998 period when contrasted to approximately 4.4% for the comparable 1997 period. The Company's marginal tax rate increased to 171% from 36% during the first quarter of 1997 primarily as a result of nondeductible in-process research and development costs, associated with the acquisitions completed by the joint venture.

PART II - OTHER INFORMATION

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following document is filed as an exhibit to this Report:

- 10.1 Credit Agreement between NationsBank, N.A. and Sykes Enterprises, Incorporated dated as of February 27, 1998.
- 10.2 Amendment No. 1 to Credit Agreement between NationsBank, N.A. and Sykes Enterprises, Incorporated dated as of March 20, 1998.
- 10.3 Guaranty Agreement between Sykes Enterprises, Incorporated and HealthPlan Services Corp. to NationsBank N.A. dated March 16, 1998.
- 27.1 Financial Data Schedule - Three months ended March 31, 1998
- 27.2 Financial Data Schedule - Three months ended March 31, 1997 (restated)
- 27.3 Financial Data Schedule - Year ended December 31, 1996 (restated)
- 27.4 Financial Data Schedule - Year ended December 31, 1995 (restated)

(b) Reports on Form 8-K

The Registrant filed a Form 8-K, dated December 31, 1997, on January 14, 1998, reporting under Item 5 the completed business combination of the Registrant with McQueen International Limited.

The Registrant filed a Form 8-K, dated September 26, 1997 on February 13, 1998, reporting under Item 5 the completed business combinations of the Registrant with TAS Telemarketing Gesellschaft fur Kommunikation und Dialog mbH ("TAS I") and TAS Hedi Fabinyi GmbH ("TAS II"). As part of the Form 8-K, the Registrant filed Consolidated Financial Statements as of December 31, 1995 and 1996 and for the year ended July 31, 1994, the five months ended December 31, 1994, and for the years ended December 31, 1995 and 1996 which have been restated to give retroactive effect to the combination with TAS I and TAS II, and include the combined operations of the Registrant, TAS I and TAS II for all periods presented.

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: *April 28, 1998*

By: */s/ Scott J. Bendert*

*Scott J. Bendert
Senior Vice President-Finance
and Treasurer
(Principal Financial and
Accounting Officer)*

SYKES ENTERPRISES, INCORPORATED

FORM 10-Q

(For the Three Months Ended March 31, 1998)

EXHIBIT INDEX

EXHIBIT

- 10.1 Credit Agreement between NationsBank N.A. and Sykes Enterprises, Incorporated dated as of February 27, 1998
- 10.2 Amendment No. 1 to Credit Agreement between NationsBank N.A. and Sykes Enterprises, Incorporated dated as of March 20, 1998
- 10.3 Guaranty Agreement between Sykes Enterprises, Incorporated and HealthPlan Services Corp. to NationsBank N.A. dated March 16, 1998
- 27.1 Financial Data Schedule - Three months ended March 31, 1998
- 27.2 Financial Data Schedule - Three months ended March 30, 1997 (restated)
- 27.3 Financial Data Schedule - Year ended December 31, 1996 (restated)
- 27.4 Financial Data Schedule - Year ended December 31, 1995 (restated)

EXHIBIT 10.1

CREDIT AGREEMENT

THIS CREDIT AGREEMENT dated as of February 17, 1998 (the "Credit Agreement") by and between

SYKES ENTERPRISES, INCORPORATED, a Florida corporation (the "Borrower"); and

NATIONSBANK, N.A., a national banking association existing under the laws of the United States and having offices in Charlotte, North Carolina (the "Bank").

RECITALS:

A. The Borrower has applied to the Bank for credit facilities in the aggregate amount of \$15,000,000.00, to be borrowed for working capital needs, for the refinancing of indebtedness to the Bank, for documentary and standby letters of credit and for foreign exchange transactions.

B. The Bank is willing to provide such credit facilities for the purposes stated hereinabove based on the terms and conditions set forth in this Credit Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Borrower and the Bank hereby agree as follows:

ARTICLE I

Definitions

1.01 For the purposes hereof:

"Advances" shall have the meaning given to such term in Section 2.01;

"Belgian Francs Advances" shall have the meaning given to such term in Section 2.01;

"Belgian Francs Note" shall have the meaning given to such term in Section 2.04;

"Belgian Subsidiary" means Sykes Holdings of Belgium B.V.B.A;

"Credit Documents" means this Credit Agreement, the Notes, the Letter of Credit Applications, the Guaranty Agreements, the Pledge Agreements, and all other related agreements and documents issued or delivered hereunder or thereunder or pursuant hereto or thereto ;

"Credit Party" means the Borrower, any of the Guarantors or any of the Pledgors;

"Deutsche Marks Advances" shall have the meaning given to such term in Section 2.01;

"Deutsche Marks Note" shall have the meaning given to such term in Section 2.05;

"Dollar Advances" shall have the meaning given to such term in Section 2.01;

"Dollar Note" shall have the meaning given to such term in Section 2.09;

"English Subsidiary" means _____;

"Exchange Rate" means, in relation to the purchase of one currency (for purposes of this definition the "first currency") with another currency (for purposes of this definition the "second currency") on a given date, the Bank's spot rate of exchange, for the amount in question, in the London interbank market at or about 11:00 a.m. Charlotte, North Carolina time on such date for the purchase of the first currency with the second currency, for delivery two Business Days later;

"Foreign Currency Notes" shall mean the Krona Note, the Guilder Note, the Belgian Francs Note, the Deutsche Marks Note, the Pound Sterling Note, the Punts Note and the French Francs Note;

"Foreign Subsidiary Borrowers" shall mean the Swedish Subsidiary, the Netherlands Subsidiaries, the Belgian Subsidiary, the German Subsidiary, the English Subsidiary, the Irish Subsidiary and the French Subsidiary;

"French Francs Advances" shall have the meaning given to such term in Section 2.01;

"French Francs Note" shall have the meaning given to such term in Section 2.08;

"French Subsidiary" means _____;

"German Subsidiary" means Sykes Enterprises GmbH;

"Guaranty Agreements" means (i) the Guaranty Agreement executed by the Borrower in favor of the Bank whereby the Borrower guarantees the repayment of the obligations of the Foreign Subsidiary Borrowers to the Bank under the Foreign Currency Notes and (ii) the Guaranty Agreements executed by the Material Subsidiaries of the Borrower in favor of the Bank whereby the Material Subsidiaries guarantee the repayment of the obligations of the Borrower to the Bank under the Credit Documents;

"Guilder Advances" shall have the meaning given to such term in Section 2.01;

"Guilder Note" shall have the meaning given to such term in Section 2.03;

"Krona Advances" shall have the meaning given to such term in Section 2.01;

"Krona Note" shall have the meaning given to such term in Section 2.02;

"Irish Subsidiary" means _____;

"Letter of Credit Applications" shall have the meaning given to such term in Section 2.13 hereof;

"Letter of Credit Obligations" shall have the meaning given to such term in Section 2.13 hereof;

"Letters of Credit" shall have the meaning given to such term in Section 2.13 hereof;

"Netherlands Subsidiaries" means Sykes Enterprises Incorporated Holdings BV and Sykes Enterprises Incorporated BV;

"Notes" means a collective reference to the Dollar Note and the Foreign Currency Notes;

"Pledge Agreements" means any pledge agreements entered into in accordance with the provisions of Section 4.02, in each case as amended and modified, to secure on a pari passu basis the obligations owing under this Credit Agreement and the Indebtedness under the Syndicated Credit Agreement;

"Pledgors" means the Persons executing Pledge Agreements pursuant to Section 7.11;

"Pound Sterling Advances" shall have the meaning given to such term in Section 2.01;

"Pound Sterling Note" shall have the meaning given to such term in Section 2.06;

"Punts Advances" shall have the meaning given to such term in Section 2.01;

"Punts Note" shall have the meaning given to such term in Section 2.07;

"Revolving Loan Committed Amount" shall have the meaning given to such term in Section 2.01 hereof;

"Swedish Subsidiary" means Datasvar Support AB, Stockholm, Sweden;

"Syndicated Credit Agreement" means that certain Credit Agreement, dated as of February 17, 1998, by and among the Borrower, the lenders parties thereto and NationsBank, N.A., as agent for such lenders, together with all amendments and modifications thereto and replacements therefor;

"Termination Date" means February 17, 2001.

1.02 Capitalized terms used herein and not otherwise defined herein shall have their respective meanings as set forth in the Syndicated Credit Agreement.

ARTICLE II

Credit Extensions

2.01 The Bank agrees, on the terms herein set forth, to make revolving loan advances (the "Advances") from time to time during the period from the date hereof to the Termination Date in an amount equal to \$15,000,000 (or such higher amount as the parties hereto may from time to time agree) (the "Revolving Loan Committed Amount"). The Bank agrees that a portion of the Advances shall be available to (a) the Swedish Subsidiary in Krona (the "Krona Advances") in an aggregate amount up to 14,000,000 Krona at any time outstanding, (b) the Netherlands Subsidiaries in Guilder (the "Guilder Advances") in an aggregate amount up to 4,000,000 Guilder, (c) the Belgian Subsidiary in Belgian Francs (the "Belgian Franc Advances") in an aggregate amount up to 1,000,0000 Belgian Francs, (d)

the German Subsidiary in Deutsche Marks (the "Deutsche Marks Advances") in an aggregate amount up to 2,500,000 Deutsche Marks, (e) the English Subsidiary in British Pound Sterling (the "Pound Sterling Advances") in an aggregate amount up to _____ British Pound Sterling, (f) the Irish Subsidiary in Punts (the "Punts Advances") in an aggregate amount up to _____ Punts and (g) the French Subsidiary in French Francs (the "French Francs Advances") in an aggregate amount up to _____ French Francs. The Bank agrees that the remaining portion of the Advances shall be available to the Borrower in U.S. dollars (the "Dollar Advances"). Within the limits set forth herein and in the Foreign Currency Notes and the Dollar Note, the Bank shall make Advances, accept payments and prepayments pursuant to the terms hereof and readvance any amount so paid or prepaid.

2.02 The Krona Advances shall be made, shall be repaid and shall bear interest in accordance with the terms of that certain Promissory Note dated _____ executed by the Swedish Subsidiary in favor of the Bank in the original principal amount of up to 14,000,000 Krona (the "Krona Note"), the terms of which are incorporated herein by reference.

2.03 The Guilder Advances shall be made, shall be repaid and shall bear interest in accordance with the terms of that certain Promissory Note dated _____ executed by the Netherlands Subsidiaries in favor of the Bank in the original principal amount of up to 4,000,000 Guilder (the "Guilder Note"), the terms of which are incorporated herein by reference.

2.04 The Belgian Francs Advances shall be made, shall be repaid and shall bear interest in accordance with the terms of that certain Promissory Note dated _____ executed by the Belgian Subsidiary in favor of the Bank in the original principal amount of up to 1,000,000 Belgian Francs (the "Belgian Francs Note"), the terms of which are incorporated herein by reference.

2.05 The Deutsche Marks Advances shall be made, shall be repaid and shall bear interest in accordance with the terms of that certain Promissory Note dated _____ executed by the German Subsidiary in favor of the Bank in the original principal amount of up to 2,500,000 Deutsche Marks (the "Deutsche Marks Note"), the terms of which are incorporated herein by reference.

2.06 The Pound Sterling Advances shall be made, shall be repaid and shall bear interest in accordance with the terms of that certain Promissory Note dated _____ executed by the English Subsidiary in favor of the Bank in the original principal amount of up to _____ Pounds Sterling (the "Pound Sterling Note"), the terms of which are incorporated herein by reference.

2.07 The Punts Advances shall be made, shall be repaid and shall bear interest in accordance with the terms of that certain Promissory Note dated _____ executed by the Irish Subsidiary in favor of the Bank in the original principal amount of up to _____ Punts (the "Punts Note"), the terms of which are incorporated herein by reference.

2.08 The French Franc Advances shall be made, shall be repaid and shall bear interest in accordance with the terms of that certain Promissory Note dated _____ executed by the French Subsidiary in favor of the Bank in the original principal amount of up to _____ French Francs (the "French Francs Note"), the terms of which are incorporated herein by reference.

2.09 The Dollar Advances shall be made, shall be repaid and shall bear interest in accordance with the terms of that certain Promissory Note of even date herewith executed by the Borrower in favor of the Bank in the original principal amount of up to \$15,000,000 (the "Dollar Note"), the terms of which are incorporated herein by reference.

2.10 If the U.S. dollar equivalent of the outstanding principal balance of the Foreign Currency Notes (based upon the most recently available Exchange Rate) plus the outstanding principal balance of the Dollar Note plus the U.S. dollar equivalent of the then outstanding Letter of Credit Obligations plus the U.S. dollar equivalent of the aggregate amount of foreign exchange contracts margined at 15% of their U.S. dollar value shall at any time exceed U.S. \$15,000,000, the Borrower shall within two Business Days after receiving notice thereof from the Bank make a repayment to the Bank for purposes of eliminating such excess, with such repayment to be applied first to the Dollar Note and then to the Foreign Currency Notes (pro rata based on outstandings) to the extent of any surplus payment amount. The Borrower agrees to deliver to the Bank within 15 days after the end of each month in which Advances are outstanding a certificate signed by its chief financial officer setting forth as of the last day of such month (i) the U.S. dollar equivalent of the outstanding principal balance of the Foreign Currency Notes (based upon the Exchange Rate as of the last day of such month), (ii) the outstanding principal balance of the Dollar Note, (iii) the U.S. dollar equivalent of the outstanding Letter of Credit Obligations (based upon the Exchange Rate as of the last day of such month), (iv) the U.S. dollar equivalent of the aggregate amount of foreign exchange contracts margined at 15% of their U.S. dollar value (based upon the Exchange Rate as of the last day of such month), (v) the sum of items (i), (ii), (iii) and (iv) above and (vi) and the difference between the Revolving Loan Committed Amount and the sum of items (i), (ii), (iii) and (iv) above.

2.11 The obligation of the Bank to make any Advance or to issue any Letter of Credit shall be subject to the satisfaction of the following conditions:

(a) the representations and warranties set forth in Article III hereof shall be true and correct in all material respects as of the day of the making of such Advance or the issuance of such Letter of Credit, except to the extent any such representation or warranty relates to a prior date;

(b) at the time of the making of and immediately after the making of such Advance or the issuance of such Letter of Credit there shall have occurred or be continuing no Event of Default, or event which upon notice or lapse of time or both would constitute an Event of Default; and

(c) immediately after the making of such Advance or the issuance of such Letter of Credit, the sum of the U.S. dollar equivalent of the outstanding principal balance of the Foreign Currency Notes (based upon the most recently available Exchange Rate) plus the outstanding principal balance of the Dollar Note plus the U.S. dollar equivalent of the then outstanding Letter of Credit Obligations (based upon the most recently available Exchange Rate) plus the U.S. dollar equivalent of the aggregate amount of foreign exchange contracts margined at 15% of their U.S. dollar value (based upon the most recently available Exchange Rate) shall not exceed U.S. \$15,000,000.

Each Advance made at the request of the Borrower or any Foreign Subsidiary Borrower, as the case may be, hereunder shall be deemed to be a reaffirmation on the date of such Advance as to the matters specified in subsections (a) and (b) hereof.

2.12 The Borrower shall have the right from time to time to voluntarily reduce the Revolving Loan Committed Amount; provided, however, if upon such reduction the U.S. dollar equivalent of the outstanding principal balance of the Foreign Currency Notes (based upon the most recently available Exchange Rate) plus the outstanding principal balance of the Dollar Note plus the U.S. dollar equivalent of the then outstanding Letter of Credit Obligations (based upon the most recently available Exchange Rate) plus the U.S. dollar equivalent of the aggregate amount of foreign exchange contracts margined at 15% of their

U.S. dollar value (based upon the most recently available Exchange Rate) shall exceed such reduced Revolving Loan Committed Amount, the Borrower shall make a repayment to the Bank for purposes of eliminating such excess, with such repayment to be applied first to the Dollar Note and then to the Foreign Currency Notes (based on outstandings), to the extent of any surplus payment amount.

2.13 The Bank also agrees to issue standby and documentary letters of credit (the "Letters of Credit"), in U.S. dollars or in any of the applicable currencies under the Foreign Currency Notes, on the application of the Borrower from time to time in accordance with the following terms and conditions:

- (a) the Borrower will execute a letter of credit application on the Bank's standard form in connection with the issuance of each Letter of Credit (hereinafter the "Letter of Credit Applications");
- (b) The form of each Letter of Credit must be satisfactory to the Bank in its reasonable discretion;
- (c) No Letter of Credit shall have a term in excess of one year;
- (d) No Letter of Credit shall have an expiration date more than six months beyond the Termination Date;
- (e) The U.S. dollar equivalent of the aggregate undrawn amounts of the Letters of Credit at any time outstanding plus the U.S. dollar equivalent of the outstanding principal amount of amounts drawn under the Letters of Credit and not reimbursed by the Borrower (the "Letter of Credit Obligations") plus the outstanding principal balance of the Dollar Advances plus the U.S. dollar equivalent of the Foreign Currency Notes (based upon the most recently available Exchange Rate) plus the U.S. dollar equivalent of the aggregate amount of foreign exchange contracts margined at 15% of their U.S. dollar value (based upon the most recently available Exchange Rate) shall not exceed U.S. \$15,000,000;
- (f) The Bank is authorized to reimburse itself for amounts drawn under the Letters of Credit by disbursing directly to itself proceeds of the Dollar Advances;
- (g) Amounts drawn under the Letters of Credit shall be payable in accordance with the terms of the Letter of Credit Applications;
- (h) If the expiration date of any Letter of Credit extends beyond the Termination Date, the Borrower shall pay to the Bank on the Termination Date an amount equal to the U.S. dollar equivalent of the then outstanding Letter of Credit Obligations with respect to such Letter of Credit to be held in an interest bearing cash collateral account in the name of the Borrower as security for the reimbursement obligations which thereafter may arise on account of subsequent drawings or payments on any such Letter of Credit;
- (i) The Borrower shall pay the Bank a 1% per annum fee on the undrawn amount of each standby Letter of Credit, such fee to payable _____ . The Borrower shall pay the Bank the standard fees of the Bank upon the issuance of any documentary Letter of Credit;
- (j) If at any time after the date hereof, and from time to time, the Bank reasonably determines that the adoption or modification of any applicable law, rule or regulation regarding taxation, the Bank's required levels of reserves, deposits, insurance or capital (including any allocation of capital requirements or conditions), or similar requirements, or any interpretation or administration

thereof by any governmental authority, central bank or comparable agency charged with the interpretation, administration or compliance of the Bank with any of such requirements, has or would have the effect of

(i) increasing the Bank's costs relating to the Letters of Credit hereunder, or (ii) reducing the yield or rate of return of the Bank on the Letters of Credit hereunder, to a level below that which the Bank could have achieved but for the adoption or modification of any such requirements, the Borrower shall, within 15 days of any written request (which request shall state in reasonable detail the basis therefor) by the Bank, pay to the Bank such additional amounts as will compensate the Bank for such increase in costs or reduction in yield or rate of return of the Bank. No failure by the Bank to immediately demand payment of any additional amounts payable hereunder shall constitute a waiver of the Bank's right to demand payment of such amounts at any subsequent time. Nothing herein contained shall be construed or so operate as to require the Borrower to pay any interest, fees, costs or charges greater than is permitted by applicable law.

ARTICLE III

Representations and Warranties

The Borrower hereby represents and warrants to the Bank that:

3.01 Corporate Power; Authorization; Enforceable Obligations .

Each of the Credit Parties has full power and authority and the legal right to make, deliver and perform the Credit Documents to which it is party and has taken all necessary corporate action to authorize the execution, delivery and performance by it of the Credit Documents to which it is party. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or with the execution, delivery or performance of any Credit Document by the Credit Parties (other than those which have been obtained,) or with the validity or enforceability of any Credit Document against the Credit Parties (except such filings as are necessary in connection with the perfection of the Liens created by such Credit Documents). Each Credit Document to which the Credit Parties are a party has been duly executed and delivered on behalf of such Credit Parties. Each Credit Document to which it is a party constitutes a legal, valid and binding obligation of such Credit Parties enforceable against such Credit Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

3.02 No Legal Bar; No Default.

The execution, delivery and performance of the Credit Documents, the borrowings thereunder and the use of the Advances and the Letters of Credit will not violate any Requirement of Law or any Contractual Obligation of any member of the Consolidated Group (except those as to which waivers or consents have been obtained), and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or Contractual Obligation other than the Liens arising under or contemplated in connection with the Credit Documents. No member of the Consolidated Group is in default under or with respect to any of its Contractual Obligations in any respect which would reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

3.03 Federal Regulations.

No part of the proceeds of any Advances or Letter of Credit hereunder will be used directly or indirectly for any purpose which violates, or which would be inconsistent with, the provisions of Regulation G, T, U or X of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect. No member of the Consolidated Group owns "margin stock" except as identified in the financial statements referred to in Section 6.1 of the Syndicated Credit Agreement and the aggregate value of all "margin stock" owned by each member of the Consolidated Group does not exceed 25% of the value of its assets.

3.04 Purpose of Extensions of Credit.

The Advances will be used to support the Borrower's needs for general working capital, letters of credit and foreign exchange transactions.

3.05 Incorporated Representations and Warranties.

The representations and warranties contained in Sections 6.1, 6.2, 6.3, 6.6, 6.7, 6.9, 6.10, 6.12, 6.13, 6.14 and 6.15 of the Syndicated Credit Agreement, as in effect as of the date hereof (the "Incorporated Representations"), are hereby incorporated by reference and shall be binding on the Borrower as if set forth fully herein. The incorporation by reference to the Syndicated Credit Agreement of the Incorporated Representations pursuant to this

Section 3.05 shall survive the termination of the Syndicated Credit Agreement. For purposes of the incorporation of the Incorporated Representations pursuant to this Section 3.05, all references in the Incorporated Representations to "the Agent", "a Lender", "the Lenders" or "the Required Lenders" shall be deemed to refer to the Bank, all references in the Incorporated Representations to the "Credit Agreement", or any similar references, shall be deemed to refer to this Credit Agreement, all references in the Incorporated Representations to a "Note" or the "Notes" shall be deemed to refer to one or more of the Notes as defined in Section 1.01 hereof and all references in the Incorporated Representations to a "Credit Document" or the "Credit Documents", or any similar references, shall be deemed to refer to one or more of the Credit Documents as defined in Section 1.01 hereof.

ARTICLE IV

Covenants

The Borrower covenants and agrees that from the date hereof and until payment in full of all principal and interest on the Notes and the Letter of Credit Obligations and until the Bank's obligation to extend credit hereunder has been terminated, the Borrower hereby agrees as follows:

4.01 Incorporated Covenants.

The affirmative and negative covenants contained in Sections 7.1 through 7.9 and Sections 8.1 through 8.9 of the Syndicated Credit Agreement, as in effect as of the date hereof (the "Incorporated Covenants"), are hereby incorporated by reference and shall be binding on the Borrower as if set forth fully herein. The incorporation by reference to the Syndicated Credit Agreement of the Incorporated Covenants pursuant to this Section 4.01 shall survive the termination of the Syndicated Credit Agreement. For purposes of the incorporation of the Incorporated Covenants pursuant to this Section 4.01, all references in the Incorporated Covenants to "the Agent", "a Lender", "the Lenders" or "the Required Lenders" shall be deemed to refer

to the Bank, all references in the Incorporated Covenants to the "Credit Agreement", or any similar references, shall be deemed to refer to this Credit Agreement, all references in the Incorporated Covenants to a "Note" or the "Notes" shall be deemed to refer to one or more of the Notes as defined in

Section 1.01 hereof, all references in the Incorporated Covenants to a "Credit Document" or the "Credit Documents", or any similar references, shall be deemed to refer to one or more of the Credit Documents as defined in Section 1.01 hereof and Section 8.1(g) shall refer to the Indebtedness under the Syndicated Credit Agreement.

4.02 Additional Guaranties and Stock Pledges.

If a Subsidiary of the Borrower becomes a Material Subsidiary, then the Borrower will promptly notify the Bank thereof and cause such Material Subsidiary to:

(a) execute a guaranty agreement in a form reasonably satisfactory to the Bank (or in lieu thereof with respect to any Foreign Subsidiary which is a Material Subsidiary, the Borrower may deliver stock certificates and related pledge agreement evidencing the pledge of 66% of the Voting Stock of such Foreign Subsidiary, together, with undated stock transfer powers executed in blank, such pledge agreement to secure on a pari passu basis the obligations of the Credit Parties under the Credit Documents and the Indebtedness under the Syndicated Credit Agreement); and

(b) deliver such supporting resolutions, incumbency certificates, corporate formation and organizational documentation and opinions of counsel as the Bank may reasonably request.

4.03 Banking Relationship. The Borrower shall maintain a primary banking relationship with the Bank.

ARTICLE V

Events of Default and Acceleration

5.01 Events of Default.

An Event of Default shall exist upon the occurrence of any of the following specified events (each an "Event of Default"):

(a) Payment. Any Credit Party shall

(i) default in the payment when due of any principal of any of the Notes or any of the Letter of Credit Applications, or

(ii) default, and such defaults shall continue for five (5) or more Business Days, in the payment when due of any interest on the Notes, or of any fees or other amounts owing hereunder, under any of the other Credit Documents or in connection herewith or therewith; or

(b) Representations. Any representation, warranty or statement made or deemed to be made herein, in any of the other Credit Documents, or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove untrue in any material respect on the date as of which it was deemed to have been made; or

(c) Covenants.

(i) A default in the due performance or observance of any term, covenant or agreement contained in Section 7.2, 7.3(a), 7.9, or 8.1 through 8.9, inclusive of the Incorporated Covenants or Section 4.2 hereof, or

(ii) A default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections (a), (b) or (c)(i) of this Section 5.01) contained in this Credit Agreement and such default shall continue unremedied for a period of at least 30 days after the earlier of a responsible officer of a Credit Party becoming aware of such default or notice thereof by the Agent; or

(d) Other Credit Documents. (i) Any Credit Party shall default in the due performance or observance of any material term, covenant or agreement in any of the other Credit Documents (subject to applicable grace or cure periods, if any), or (ii) except as to the Credit Party which is dissolved, released or merged or consolidated out of existence as the result of or in connection with a dissolution, merger or disposition permitted by Section 8.3(a), Section 8.3(b) or Section 8.3(c) of the Incorporated Covenants, any Credit Document shall fail to be in full force and effect or to give the Bank any material part of the Liens, rights, powers and privileges purported to be created thereby; or

(e) Guaranties. Except as to the Credit Party which is dissolved, released or merged or consolidated out of existence as the result of or in connection with a dissolution, merger or disposition permitted by Section 8.3(a), Section 8.3(b) or Section 8.3(c) of the Incorporated Covenants, the guaranty given by any Guarantor hereunder or any material provision thereof shall cease to be in full force and effect, or any Guarantor hereunder or any Person acting by or on behalf of such Guarantor shall deny or disaffirm such Guarantor's obligations under such guaranty, or any Guarantor shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to any guaranty; or

(f) Incorporated Events of Default. The occurrence of an "Event of Default" under and as defined in the Syndicated Credit Agreement, as in effect as of the date hereof which "Events of Default" (the "Incorporated Events of Default") are hereby incorporated by reference and shall be binding on the Borrower as if set forth fully herein. The incorporation by reference to the Syndicated Credit Agreement of the Incorporated Events of Default shall survive the termination of the Syndicated Credit Agreement. For purposes of the incorporation of the Incorporated Covenants pursuant to this Section 6.1(f), all references in the Incorporated Events of Default to "the Agent", "a Lender", "the Lenders" or "the Required Lenders" shall be deemed to refer to the Bank, all references in the Incorporated Events of Default to the "Credit Agreement", or any similar references, shall be deemed to refer to this Credit Agreement, all references in the Incorporated Default to a "Note" or the "Notes" shall be deemed to refer to one or more of the Notes as defined in Section 1.01 hereof and all references in the Incorporated Events of Default to a "Credit Document" or the "Credit Documents", or any similar references, shall be deemed to refer to one or more of the Credit Documents as defined in Section 1.01 hereof.

5.02 Upon the occurrence of any such event of default (taking into account applicable grace periods, if any, as provided in Section 5.01 hereof) and unless the Bank agrees to waive in writing such an event of default:

(a) the Bank's commitment to make Advances shall terminate and all of the indebtedness of any and every kind owing by the Borrower to the Bank or any corporate affiliate of the Bank shall become due and payable upon written notice to the Borrower (other than an Event of Default described in Section 9.1(f) of the Incorporated Events of Default in which case the Bank's commitment to make Advances shall automatically terminate and such indebtedness shall become due and payable

immediately without necessity of written demand) without the necessity of any other demand, presentment, protest or notice upon the Borrower, all of which are hereby expressly waived by the Borrower;

(b) all of the obligations of the Borrower under the Credit Documents shall thereupon be immediately due and payable without the necessity of any other demand, presentment, protest or notice upon the Borrower, all of which are hereby expressly waived by the Borrower;

(c) the Bank shall have the right, immediately and without further action by it, to set-off against the Notes and the Guaranty Agreement all money owed by the Bank in any capacity to any Borrower, whether or not due, and the Bank shall be deemed to have exercised such right of set-off and to have made a charge against any such money immediately upon the occurrence of such event of default even though such charge is made or entered on the books of the Bank subsequent thereto; and

(d) the Bank may demand, and the Borrower shall immediately pay to the Bank upon such demand, cash in an amount equal to the then outstanding Letter of Credit Obligations and foreign exchange contract obligations of the Borrower to the Bank which will be held in an interest bearing cash collateral account in the name of the Borrower and under the dominion and control of the Bank as additional security for the reimbursement obligations which may thereafter arise on account of subsequent drawings or payments under the Letters of Credit or such foreign exchange contracts.

ARTICLE VI

Miscellaneous

6.01 Any notice shall be conclusively deemed to have been received by any party hereto and be effective on the day on which delivered to such party at the address set forth below or such other address as such party shall specify to the other party in writing, or if sent prepaid by certified or registered mail or by telegram or telex (where the receipt of such message is verified by return) on the third Business Day after the day on which mailed (or sent), addressed to such party at said address:

(a) if to any Borrower at the following address:

c/o Sykes Enterprises, Incorporated 100 North Tampa Street Suite 3900
Tampa, Florida 33602 Attention: Scott J. Bendert, Senior Vice President- Finance, Treasurer and Chief Financial Officer

(b) if to the Bank:

NationsBank, N.A.

NationsBank Plaza, NC1-002-03-10
Charlotte, North Carolina 28255
Attention: William A. Serenius,
Sr. Vice President

6.02 No failure or delay on the part of the Bank in the exercise of any right, power or privilege hereunder or under any other Credit Document shall operate as a waiver of any such right, power or privilege nor shall any preclude any other or further exercise

thereof. The rights and remedies herein provided are cumulative and not exclusive or any rights or remedies provided by law.

6.03 All covenants, agreements, representations and warranties made herein and in the other Credit Documents shall survive the making by the Bank of the loans herein contemplated and the execution and delivery to the Bank of the Credit Documents and shall continue in full force and effect so long as any of the indebtedness of the Borrower to the Bank or any obligations of the Borrower to the Bank remain outstanding and unpaid. Whenever in this Credit Agreement, any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party and all covenants, provisions and agreements by or on behalf of the Borrower which are contained in the Credit Documents or this Credit Agreement shall inure to the benefit of the successors and assigns of the Bank.

6.04 Subject to previously agreed upon limits, the Borrower agrees to pay the costs and expenses of the Bank (including reasonable attorneys' fees) in connection with the preparation, execution and delivery of the Credit Documents and all other documents necessary to consummate the transactions contemplated by the commitment letter of the Bank to the Borrower. The Borrower also agrees to pay the costs and expenses of the Bank in connection with the enforcement of the Credit Documents and this Credit Agreement, as well as any actual filing and recording fees and stamp and other taxes with respect thereto.

6.05 No approval required by the Bank ("Approval") hereunder nor any modification, amendment or waiver ("Waiver") of any provision of this Credit Agreement or any other Credit Document, nor any consent to any departure by the Borrower therefrom ("Consent") shall in any event be effective unless the same shall be delivered in accordance with the provisions of Section 7.01 hereof, and then such Approval, Waiver or Consent shall be effective only in the specific instance and for the purpose for which given, but any such Approval, Waiver or Consent when so signed shall be effective and binding upon the Bank. Notice to or demand on the Borrower in any case shall not entitle the Borrower to any other or further notice or demand in the same, similar or other circumstances.

6.06 Interest, fees and premiums hereunder shall be computed on the basis of a three hundred sixty (360) day year for the actual number of days in the interest period unless any promissory note for foreign currency borrowings contains a contrary calculation.

6.07 Should any installment or other payment of the principal of or interest on any Note become due and payable on other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day thereafter and in the case of an installment of principal, interest shall be payable thereon at the rate per annum herein specified during such extension.

6.08 This Credit Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and it shall not be necessary in making proof of this Credit Agreement to produce or account for more than one such counterpart.

6.09 The terms hereof shall extend to any subsequent holder of the Notes and the Guaranty Agreement.

6.10 The term of this Credit Agreement shall be until payment in full of all sums payable by the Borrower hereunder, under the Notes, or otherwise payable to the Bank, howsoever evidenced, whichever is later.

6.11 All documents executed pursuant to the transactions contemplated herein, including without limitation this Credit Agreement and each of the Notes, shall be deemed

to be contracts made under, and for all purposes shall be construed in accordance with, the internal laws and judicial decisions of the State of North Carolina. The Borrower hereby submits to the jurisdiction and venue of the state and federal courts of North Carolina for the purposes of resolving disputes hereunder or for the purposes of collection.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed under seal by their duly authorized officers in Charlotte, North Carolina at the offices of the Bank as of the day and year first above written.

SYKES ENTERPRISES, INCORPORATED

ATTEST:

By _____

Title _____

(Corporate Seal)

By _____

Scott J. Bendert -
Senior Vice President-Finance, Treasurer
and Chief Financial Officer

NATIONSBANK, N.A.

By:

William A. Serenius Senior Vice President

AMENDMENT NO. 1 TO CREDIT AGREEMENT

THIS AMENDMENT AGREEMENT (this "Amendment No. 1"), dated as of March 20, 1998, among SYKES ENTERPRISES, INCORPORATED, a Florida corporation (the "Borrower"), MCQUEEN INTERNATIONAL LIMITED (the "Guarantor"), the various lending institutions parties hereto (each a "Lender" and collectively, the "Lenders"), and NATIONSBANK, N.A., a national banking association, as agent for the Lenders (in such capacity, the "Agent");

WITNESSETH:

WHEREAS, the Borrower, the Guarantor, the Lenders and the Agent entered into that certain Credit Agreement, dated as of February 27, 1998 (the "Existing Credit Agreement"); and

WHEREAS, the Borrower, the Guarantor, the Lenders and the Agent have agreed to amend the Existing Credit Agreement as set forth herein.

NOW, THEREFORE, in consideration of the agreements herein contained, the parties hereby agree as follows:

**PART I
DEFINITIONS**

SUBPART 1.1. Certain Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Amendment No. 1, including its preamble and recitals, have the following meanings (such meanings to be equally applicable to the singular and plural forms thereof):

"Amended Credit Agreement" means the Existing Credit Agreement as amended hereby.

"Amendment No. 1 Effective Date" is defined in Subpart 3.1.

SUBPART 1.2. Other Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Amendment No. 1, including its preamble and recitals, have the meanings provided in the Amended Credit Agreement.

**PART II
AMENDMENTS TO EXISTING CREDIT AGREEMENT**

Effective on (and subject to the occurrence of) the Amendment No. 1 Effective Date, the Existing Credit Agreement is hereby amended in accordance with this Part II. Except as so amended, the Existing Credit Agreement, the Notes and the other Credit Documents shall continue in full force and effect.

SUBPART 2.1 Amendments to Section 1. Section 1 of the Existing Credit Agreement is hereby amended by inserting, in the alphabetically appropriate place, the following definition:

"Amendment No. 1" means Amendment No. 1 to Credit Agreement, dated as of March 20, 1998, among the Borrower, the Guarantor, the Lenders and the Agent, amending this Credit Agreement as then in effect.

SUBPART 2.2 Amendments to Section 8.1. Section 8.1 is amended by (a) deleting the reference to "and" at the end of subsection 8.1(g), (b) changing subsection 8.1(h) to subsection 8.1(i) and (c) adding the following subsection (h):

(h) guaranty agreements executed by the Borrower guaranteeing obligations of Sykes Health Plan Services, Inc. to its lender or lenders provided the aggregate amount guaranteed thereunder shall not exceed \$50,000,000 at any time outstanding; and

SUBPART 2.3 Amendments to Section 8.4. Section 8.4 is amended in its entirety so that such Section now reads as follows:

Make an Investment in any Person except for (i) Investments which are consistent with the Borrower's investment policy set forth in Section 8.4 and (ii) an Investment of up to \$20,000,000 in the aggregate in Sykes Health Plan Services, Inc.

PART III CONDITIONS TO EFFECTIVENESS

SUBPART 3.1. Amendment No. 1 Effective Date. This Amendment shall be and become effective on such date (the "Amendment No. 1 Effective Date") on or prior to March 20, 1998, when all of the conditions set forth in this Subpart 3.1 shall have been satisfied, and thereafter, this Amendment No. 1 shall be known, and may be referred to, as "Amendment No. 1."

SUBPART 3.1.1. Execution of Counterparts. The Agent shall have received counterparts of this Amendment No. 1, each of which shall have been duly executed on behalf of the Borrower, the Guarantor, the Agent and the Required Lenders.

SUBPART 3.1.2. Legal Details, Etc. All documents executed or submitted pursuant hereto shall be reasonably satisfactory in form and substance to the Agent and its counsel. The Agent and its counsel shall have received all information, and such counterpart originals or such certified or other copies of such originals, as the Agent or its counsel may reasonably request, and all legal matters incident to the transactions contemplated by this Amendment No. 1 shall be reasonably satisfactory to the Agent and its counsel.

PART IV MISCELLANEOUS

SUBPART 4.1 Cross-References. References in this Amendment No. 1 to any Part or Subpart are, unless otherwise specified, to such Part or Subpart of this Amendment No. 1.

SUBPART 4.2 Instrument Pursuant to Existing Credit Agreement. This Amendment No. 1 is a document executed pursuant to the Existing Credit Agreement and shall (unless otherwise expressly indicated therein) be construed, administered and applied in accordance with the terms and provisions of the Existing Credit Agreement.

SUBPART 4.3 Credit Documents. The Borrower hereby confirms and agrees that the Credit Documents are, and shall continue to be, in full force and effect, and hereby ratifies and confirms in all respects its obligations thereunder, except that, upon the effectiveness of, and on and after the date of, this Amendment No. 1, all references in

each Credit Document to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Existing Credit Agreement shall mean the Amended Credit Agreement.

SUBPART 4.4 Counterparts, Effectiveness, Etc. This Amendment No. 1 may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

SUBPART 4.5 Governing Law; Entire Agreement. THIS AMENDMENT NO. 1 SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NORTH CAROLINA WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

SUBPART 4.6 Successors and Assigns. This Amendment No. 1 shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SUBPART 4.7 Representations and Warranties. The Borrower represents and warrants to the Agent and the Lenders that (i) the representations and warranties made in Section 6 of the Existing Credit Agreement are true and correct on and as of the Amendment No. 1 Effective Date as though made on such date and (ii) no Default or Event of Default has occurred and remains uncured as of the Amendment No. 1 Effective Date.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be executed by their respective duly authorized officers as of the day and year first above written.

SYKES ENTERPRISES, INCORPORATED

By

Title

MCQUEEN INTERNATIONAL LIMITED

By

Title

NATIONSBANK, N.A., individually in its capacity as a Lender and in its capacity as Agent

By

Title

CREDIT LYONNAIS ATLANTA AGENCY

By

Title

**BANQUE NATIONALE DE PARIS,
HOUSTON AGENCY**

By

Title

FLEET NATIONAL BANK

By

Title

THE FIRST NATIONAL BANK OF CHICAGO

By

Title

SUNTRUST BANK, TAMPA BAY

By

Title

**SOUTHTRUST BANK, NATIONAL
ASSOCIATION**

By

Title

FIRST UNION NATIONAL BANK

By

Title

Exhibit 10.3

GUARANTY AGREEMENT
(Parent)

THIS GUARANTY AGREEMENT (this "Guaranty Agreement" or this "Guaranty"), dated as of March __, 1998, is made by HEALTHPLAN SERVICES CORPORATION ("HPS") and SYKES ENTERPRISES, INCORPORATED ("Sykes") (each a "Guarantor" and collectively the "Guarantors") to NATIONSBANK, NATIONAL ASSOCIATION, a national banking association, as Agent (the "Agent") for each of the lenders now or hereafter party to the Credit Agreement (as defined below) (each a "Lender" and collectively the "Lenders").

WITNESSETH:

WHEREAS, the Agent and Sykes HealthPlan Services, Inc (the "Borrower") have entered into that certain Credit Agreement dated as of the date hereof (as amended, supplemented or otherwise modified as of the date hereof, the "Credit Agreement") and certain other Loan Documents, as defined in the Credit Agreement; and

WHEREAS, HPS and Sykes each own fifty percent (50%) of the issued and outstanding shares of common stock of the Borrower and will materially benefit from the loans and advances made and to be made, and the letters of credit issued and to be issued, under the Credit Agreement;

NOW, THEREFORE, in order to induce the Agent for the benefit of the Lenders to enter into the Credit Agreement and to make and continue the loans and advances thereunder, and to issue letters of credit for the account of the Borrower, and in consideration of the mutual covenants and agreements contained herein, each Guarantor agrees as follows:

. DEFINITIONS. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

. GUARANTY. Prior to the Guaranty Termination Date, as defined below, each Guarantor hereby jointly and severally, unconditionally, absolutely, continually and irrevocably guarantees to the Agent and the Lenders the payment and performance in full of fifty percent (50%) of the Borrower's Liabilities (as defined below). For all purposes of this Guaranty Agreement, "Borrower's Liabilities" means: (a) the Borrower's prompt payment in full, when due or declared due and at all such times, of all Obligations and all other amounts pursuant to the terms of the Credit Agreement, the Notes, and all other Loan Documents executed in connection with the Credit Agreement and all Hedging Obligations heretofore, now or at any time or times hereafter owing, arising, due or payable from the Borrower to any Lenders (or affiliate thereof), including without limitation principal, interest, premium or fee (including, but not limited to, loan fees and attorneys' fees and expenses); and (b) the Borrower's prompt, full and faithful performance, observance and discharge of each and every agreement, undertaking, covenant and provision to be performed, observed or discharged by the Borrower under the Credit Agreement

and all other Loan Documents executed in connection therewith and all Swap Agreements. The Guarantors' obligations to the Agent and the Lenders under this Guaranty Agreement are hereinafter collectively referred to as the "Guarantors' Obligations". For all purposes of this Guaranty Agreement, "Guaranty Termination Date" means the date at which the first to occur of either (i) (a) the Borrower's Consolidated EBITDA, without giving effect, in calculating Consolidated EBITDA, to the results of operations of any business or Person acquired prior to the date of their Acquisition, for a twelve month period is not less than \$16,000,000 and (b) the Borrower shall have been in compliance with Sections 8.1(a) through 8.1(d) of the Credit Agreement for four (4) consecutive fiscal quarters, all as demonstrated to the satisfaction of the Agent or (ii) the Borrower shall have received net proceeds of not less than \$75,000,000 from the sale of an initial public offering of its capital stock, which proceeds shall be used to repay indebtedness outstanding under the Credit Agreement.

Each Guarantor agrees that it is directly and primarily liable for fifty percent (50%) of the Borrower's Liabilities.

. PAYMENT. If the Borrower shall default in payment or performance of any Borrower's Liabilities, whether principal, interest, premium, fee (including, but not limited to, loan fees and attorneys' fees and expenses), or otherwise, when and as the same shall become due, whether according to the terms of the Credit Agreement, by acceleration, or otherwise, or upon the occurrence of any Default or Event of Default under the Credit Agreement that has not been cured or waived, then any or all of the Guarantors will, upon demand thereof by the Agent or its successors or assigns as of the date of the Agent's demand, fully pay to the Agent, for the benefit of the Lenders, subject to any restriction set forth in Section 2 hereof, an amount equal to all Guarantors' Obligations then due and owing.

. UNCONDITIONAL OBLIGATIONS. This is a guaranty of payment and not of collection. The Guarantors' Obligations under this Guaranty Agreement shall be absolute and unconditional irrespective of the validity, legality or enforceability of the Credit Agreement, the Notes or any other Loan Document or any other guaranty of the Borrower's Liabilities, and shall not be affected by any action taken under the Credit Agreement, the Notes or any other Loan Document, any other guaranty of the Borrower's Liabilities, or any other agreement between the Agent or the Lenders and the Borrower or any other Person, in the exercise of any right or power therein conferred, or by any failure or omission to enforce any right conferred thereby, or by any waiver of any covenant or condition therein provided, or by any acceleration of the maturity of any of the Borrower's Liabilities, or by the release or other disposal of any security for any of the Borrower's Liabilities, or by the dissolution of the Borrower or the combination or consolidation of the Borrower into or with another entity or any transfer or disposition of any assets of the Borrower or by any extension or renewal of the Credit Agreement, any of the Notes or any other Loan Document, in whole or in part, or by any modification, alteration, amendment or addition of or to the Credit Agreement, any of the Notes or any other Loan Document, any other guaranty of the Borrower's Liabilities, or any other agreement between the Agent or the Lenders and the Borrower or any other Person, or by any other circumstance whatsoever (with or without notice to or knowledge of any Guarantor) which may or

might in any manner or to any extent vary the risks of such Guarantor, or might otherwise constitute a legal or equitable discharge of a surety or a guarantor; it being the purpose and intent of the parties hereto that, prior to the Guaranty Termination Date, this Guaranty Agreement and the Guarantors' Obligations hereunder shall be absolute and unconditional under any and all circumstances and shall not be discharged except by payment as herein provided.

. CURRENCY AND FUNDS OF PAYMENT. Each Guarantor hereby guarantees that the Guarantors' Obligations will be paid in lawful currency of the United States of America and in immediately available funds, regardless of any law, regulation or decree now or hereafter in effect that might in any manner affect the Borrower's Liabilities, or the rights of the Agent or any Lender with respect thereto as against the Borrower, or cause or permit to be invoked any alteration in the time, amount or manner of payment by the Borrower of any or all of the Borrower's Liabilities.

. EVENTS OF DEFAULT. In the event that (a) a Guarantor shall file a petition to take advantage of any insolvency statute; (b) a Guarantor shall commence or suffer to exist a proceeding for the appointment of a receiver, trustee, liquidator or conservator of itself or of the whole or substantially all of its property; (c) a Guarantor shall file a petition or answer seeking reorganization or arrangement or similar relief under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state or similar law of any other country; (d) a court of competent jurisdiction shall enter an order, judgment or decree appointing a custodian, receiver, trustee, liquidator or conservator of a Guarantor or of the whole or substantially all of its properties, or approve a petition filed against a Guarantor seeking reorganization or arrangement or similar relief under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state or similar law of any other country, or if, under the provisions of any other law for the relief or aid of debtors, a court of competent jurisdiction shall assume custody or control of a Guarantor or of the whole or substantially all of its properties and such order, judgment, decree, approval or assumption remains unstayed or undismissed for a period of sixty (60) consecutive days; (e) there is commenced against a Guarantor any proceeding or petition seeking reorganization, arrangement or similar relief under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state, which proceeding or petition remains unstayed or undismissed for a period of sixty (60) consecutive days; (f) there shall occur an Event of Default under the Credit Agreement; or (g) any default shall occur in the payment of amounts due hereunder (each of the foregoing an "Event of Default" hereunder); then notwithstanding any collateral that the Lenders may possess from Borrower, such Guarantor, any other Guarantor or any other guarantor of the Borrower's Liabilities, or any other party, at the Agent's election and without notice thereof or demand therefor, so long as such Event of Default shall be continuing, the Guarantors' Obligations shall immediately become due and payable.

. SUITS. Each Guarantor from time to time shall pay to the Agent for the benefit of the Lenders, on demand, at the Agent's place of business set forth in the Credit Agreement, the Guarantors' Obligations as they become or are declared due, and in the event such payment is not made forthwith, the Agent or the Lenders or any of them may proceed to suit against such Guarantor. At the Agent's election, one or more and successive or concurrent suits may be brought

hereon by the Agent against any Guarantor, whether or not suit has been commenced against the Borrower, any other Guarantor or any other guarantor of the Borrower's Liabilities, or any other Person and whether or not the Agent or any Lender has taken or failed to take any other action to collect all or any portion of the Borrower's Liabilities.

. SET-OFF AND WAIVER. Each Guarantor waives any right to assert against the Agent and the Lenders as a defense, counterclaim, set-off or cross claim, any defense (legal or equitable) or other claim which each Guarantor may now or at any time hereafter have against the Borrower, the Agent or the Lenders, without waiving any additional defenses, set-offs, counterclaims or other claims otherwise available to such Guarantor. If at any time hereafter the Agent or any Lender employs counsel for advice or other representation to enforce the Guarantors' Obligations that arise out of an Event of Default, then, in any of the foregoing events, all of the reasonable attorneys' fees arising from such services and all expenses, costs and charges in any way or respect arising in connection therewith or relating thereto shall be paid by such Guarantor to the Agent, for the benefit of the Lenders, on demand.

. WAIVER; SUBROGATION.

(a) Each Guarantor hereby waives notice of the following events or occurrences: (i) the Agent's acceptance of this Guaranty Agreement; (ii) the Lenders' heretofore, now or from time to time hereafter loaning monies or giving or extending credit to or for the benefit of the Borrower, whether pursuant to the Credit Agreement or the Notes or any amendments, modifications, or supplements thereto, or replacements or extensions thereof; (iii) the Agent, the Lenders or the Borrower heretofore, now or at any time hereafter, obtaining, amending, substituting for, releasing, waiving or modifying the Credit Agreement, the Notes or any other Loan Documents; (iv) presentment, demand, default, non-payment, partial payment and protest; (v) the Agent or the Lenders heretofore, now or at any time hereafter granting to the Borrower (or any other party liable to the Lenders on account of the Borrower's Liabilities) any indulgence or extensions of time of payment of the Borrower's Liabilities; and (vi) the Agent or the Lenders heretofore, now or at any time hereafter accepting from the Borrower, any other Guarantor, any other guarantor of the Borrower's Liabilities or any other Person, any partial payment or payments on account of the Borrower's Liabilities or any collateral securing the payment thereof or the Agent settling, subordinating, compromising, discharging or releasing the same. Each Guarantor agrees that the Agent and each Lender may heretofore, now or at any time hereafter do any or all of the foregoing in such manner, upon such terms and at such times as the Agent and each Lender, in its sole and absolute discretion, deems advisable, without in any way or respect impairing, affecting, reducing or releasing such Guarantor from the Guarantors' Obligations, and each Guarantor hereby consents to each and all of the foregoing events or occurrences.

(b) Each Guarantor hereby agrees that payment or performance by such Guarantor of the Guarantors' Obligations under this Guaranty Agreement may be enforced by the Agent on behalf of the Lenders upon demand by the Agent to such Guarantor without the Agent being required, such Guarantor expressly waiving any right it may have to require the Agent, to (i) prosecute collection or

seek to enforce or resort to any remedies against the Borrower or any other Guarantor or any other guarantor of the Borrower's Liabilities, IT BEING EXPRESSLY UNDERSTOOD, ACKNOWLEDGED AND AGREED GUARANTY AGREEMENT TO BY SUCH GUARANTOR THAT DEMAND UNDER THIS GUARANTY AGREEMENT MAY BE MADE BY THE AGENT, AND THE PROVISIONS HEREOF ENFORCED BY THE AGENT, EFFECTIVE AS OF THE FIRST DATE ANY EVENT OF DEFAULT OCCURS AND IS CONTINUING UNDER THE CREDIT AGREEMENT, or

(ii) seek to enforce or resort to any remedies with respect to any security interests, Liens or encumbrances granted to the Agent by the Borrower, any other Guarantor or any other Person on account of the Borrower's Liabilities or any guaranty thereof. Neither the Agent nor any Lender shall have any obligation to protect, secure or insure any of the foregoing security interests, Liens or encumbrances on the properties or interests in properties subject thereto. The Guarantors' Obligations shall in no way be impaired, affected, reduced, or released by reason of the Agent's or any Lender's failure or delay to do or take any of the acts, actions or things described in this Guaranty including, without limiting the generality of the foregoing, those acts, actions and things described in this Section 9.

(c) Each Guarantor further agrees with respect to this Guaranty that such Guarantor shall have no right of subrogation, reimbursement or indemnity, nor any right of recourse to security for the Borrower's Liabilities until the Facility Termination Date.

. EFFECTIVENESS; ENFORCEABILITY. This Guaranty Agreement shall be effective as of the date of the initial Advance under the Credit Agreement and shall continue in full force and effect until the earlier of (i) the Guaranty Termination Date or (ii) the Facility Termination Date. The Agent shall give each Guarantor written notice of such termination in accordance with Section 17 hereof. This Guaranty Agreement shall be binding upon and inure to the benefit of each Guarantor, the Agent and the Lenders and their respective successors and assigns. Notwithstanding the foregoing, no Guarantor may, without the prior written consent of the Agent, assign any rights, powers, duties or obligations hereunder. Any claim or claims that the Agent and the Lenders may at any time hereafter have against a Guarantor under this Guaranty Agreement may be asserted by the Agent or any Lender by written notice directed to such Guarantor.

. REPRESENTATIONS AND WARRANTIES. Each Guarantor warrants and represents to the Agent for the benefit of the Lenders that it is duly authorized to execute, deliver and perform this Guaranty Agreement, that this Guaranty Agreement is legal, valid, binding and enforceable against such Guarantor in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles; and that such Guarantor's execution, delivery and performance of this Guaranty Agreement do not violate or constitute a breach of its certificate of incorporation or other documents of corporate governance or any agreement to which such Guarantor is a party, or any applicable laws.

. EXPENSES. Each Guarantor agrees to be liable for the payment of all reasonable fees and expenses, including without limitation, attorney's fees and costs of collection, incurred by the Agent and each Lender in connection with the enforcement of this Guaranty Agreement.

. REINSTATEMENT. Each Guarantor agrees that this Guaranty Agreement shall continue to be effective or be reinstated, as the case may be, at any time payment received by the Agent under the Credit Agreement or this Guaranty Agreement is rescinded or must be restored for any reason.

. COUNTERPARTS. This Guaranty Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall constitute one and the same instrument.

. RELIANCE. Each Guarantor represents and warrants to the Agent, for the benefit of the Agent and the Lenders, that: (a) such Guarantor has adequate means to obtain from Borrower, on a continuing basis, information concerning Borrower and Borrower's financial condition and affairs and has full and complete access to Borrower's books and records; (b) such Guarantor is not relying on the Agent or any Lender, its or their employees, agents or other representatives, to provide such information, now or in the future; (c) such Guarantor is executing this Guaranty Agreement freely and deliberately, and understands the obligations and financial risk undertaken by providing this Guaranty; (d) such Guarantor has relied solely on the Guarantor's own independent investigation, appraisal and analysis of Borrower and Borrower's financial condition and affairs in deciding to provide this Guaranty and is fully aware of the same; and (e) such Guarantor has not depended or relied on the Agent or any Lender, its or their employees, agents or representatives, for any information whatsoever concerning Borrower or Borrower's financial condition and affairs or other matters material to such Guarantor's decision to provide this Guaranty or for any counselling, guidance, or special consideration or any promise therefor with respect to such decision. Each Guarantor agrees that neither the Agent nor any Lender has any duty or responsibility whatsoever, now or in the future, to provide to such Guarantor any information concerning Borrower or Borrower's financial condition and affairs, other than as expressly provided herein, and that, if such Guarantor receives any such information from the Agent or any Lender, its or their employees, agents or other representatives, such Guarantor will independently verify the information and will not rely on the Agent or any Lender, its or their employees, agents or other representatives, with respect to such information.

. TERMINATION. This Guaranty Agreement and all obligations of the Guarantors hereunder shall terminate without delivery of any instrument or performance of any act by any party on the earlier of the Guaranty Termination Date or the Facility Termination Date.

. NOTICE. Any notice shall be conclusively deemed to have been received by any party hereto and be effective on the day on which delivered to such party (against receipt therefor) at the address set forth below or such other address as such party shall specify to the other parties in writing (or, in the case of telephonic notice or notice by telefacsimile (where the receipt of such message is verified by return) expressly provided for hereunder, when received at such telephone or telefacsimile number as may from time to time be specified in written notice to the other parties hereto or otherwise received), or if sent prepaid by certified or registered mail return receipt requested on the third Business Day after the day on which mailed, or if sent prepaid by a national

overnight courier service, on the first Business Day after the day on which delivered to such service against receipt therefor, addressed to such party at said address:

- | | | |
|-----|--|---|
| (a) | if to the Borrower or Sykes: c/o Sykes HealthPlan Services, Inc. 3501 Frontage Road Tampa, Florida 33607 Attention: Mr. Jack Murray III Telephone: (813) 289-1000 Telefacsimile: (813) 289-9359 | if to HPS: c/o Sykes HealthPlan Services, Inc. 3501 Frontage Road Tampa, Florida 33607 Attention: Phil Dingle Telephone: (813) 289-1000 Telefacsimile: (813) 289-9359 |
| (b) | if to the Agent: NationsBank, N.A. Independence Center, 15th Floor NCL-001-15-04 Charlotte, North Carolina 28255 Attention: Ken Deffendall, Agency Services Telephone: (704) 388-6482 Telefacsimile: (704) 386-9923 | with a copy to: NationsBank, National Association 400 N. Ashley Drive, 2nd Floor Tampa, Florida 33602 Attention: James E. Harden, Jr., Senior Vice President Telephone: (813) 224-5147 Telefacsimile: (813) 224-5770 |

or to such other address as each party may designate for itself by like notice given in accordance with this Section 17.

. GOVERNING LAW.

(A) THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (OTHER THAN THOSE SECURITY INSTRUMENTS WHICH EXPRESSLY PROVIDE THAT THEY SHALL BE GOVERNED BY THE LAWS OF ANOTHER JURISDICTION) SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF FLORIDA APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

(B) THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY AGREES AND CONSENTS THAT ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREIN MAY BE INSTITUTED IN ANY STATE OR FEDERAL COURT SITTING IN THE COUNTY OF HILLSBOROUGH, STATE OF FLORIDA, UNITED STATES OF AMERICA AND, BY THE EXECUTION AND DELIVERY OF THIS AGREEMENT, THE BORROWER EXPRESSLY WAIVES ANY OBJECTION

THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE IN, OR TO THE GUARANTY AGREEMENT EXERCISE OF JURISDICTION OVER IT AND ITS PROPERTY BY, ANY SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING, AND THE BORROWER HEREBY IRREVOCABLY SUBMITS GENERALLY AND UNCONDITIONALLY TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING.

(C) THE BORROWER AGREES THAT SERVICE OF PROCESS MAY BE MADE BY PERSONAL SERVICE OF A COPY OF THE SUMMONS AND COMPLAINT OR OTHER LEGAL PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING, OR BY REGISTERED OR CERTIFIED MAIL (POSTAGE PREPAID) TO THE ADDRESS OF THE BORROWER PROVIDED IN SECTION 17, OR BY ANY OTHER METHOD OF SERVICE PROVIDED FOR UNDER THE APPLICABLE LAWS IN EFFECT IN THE STATE OF FLORIDA.

(D) NOTHING CONTAINED IN SUBSECTIONS (A) OR (B) HEREOF SHALL PRECLUDE THE AGENT OR ANY LENDER FROM BRINGING ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT IN THE COURTS OF ANY JURISDICTION WHERE THE BORROWER OR ANY OF THE BORROWER'S PROPERTY OR ASSETS MAY BE FOUND OR LOCATED. TO THE EXTENT PERMITTED BY THE APPLICABLE LAWS OF ANY SUCH JURISDICTION, THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT AND EXPRESSLY WAIVES, IN RESPECT OF ANY SUCH SUIT, ACTION OR PROCEEDING, OBJECTION TO THE EXERCISE OF JURISDICTION OVER IT AND ITS PROPERTY BY ANY SUCH OTHER COURT OR COURTS WHICH NOW OR HEREAFTER MAY BE AVAILABLE UNDER APPLICABLE LAW.

(E) IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS OR REMEDIES UNDER OR RELATED TO ANY LOAN DOCUMENT OR ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR THAT MAY IN THE FUTURE BE DELIVERED IN CONNECTION THEREWITH, THE BORROWER, THE AGENT AND THE LENDERS HEREBY AGREE, TO THE EXTENT PERMITTED BY APPLICABLE LAW, THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY AND HEREBY IRREVOCABLY WAIVE, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PERSON MAY HAVE TO TRIAL BY JURY IN ANY SUCH ACTION OR PROCEEDING.

[SIGNATURE PAGE FOLLOWS.]

IN WITNESS WHEREOF, the parties have duly executed this Guaranty Agreement on the day and year first written above.

GUARANTORS:

HEALTHPLAN SERVICES CORPORATION

By: _____ Name: _____ Title: _____

SYKES ENTERPRISES, INCORPORATED

By: _____ Name: _____
Title: _____

AGENT:

**NATIONSBANK, NATIONAL ASSOCIATION,
as Agent for the Lenders**

By: _____
Name: James E. Harden, Jr.
Title: Senior Vice President

GUARANTY AGREEMENT

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY CONSOLIDATED FINANCIAL INFORMATION EXTRACTED FROM FORM 10-Q OF SYKES ENTERPRISES, INC. FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q.

| | |
|----------------------------|--------------|
| PERIOD TYPE | 3 MOS |
| FISCAL YEAR END | DEC 31 1998 |
| PERIOD START | JAN 01 1998 |
| PERIOD END | MAR 31 1998 |
| CASH | 27,902,400 |
| SECURITIES | 0 |
| RECEIVABLES | 76,393,770 |
| ALLOWANCES | (666,245) |
| INVENTORY | 0 |
| CURRENT ASSETS | 117,607,629 |
| PP&E | 122,569,627 |
| DEPRECIATION | (49,679,879) |
| TOTAL ASSETS | 211,101,711 |
| CURRENT LIABILITIES | 48,825,832 |
| BONDS | 0 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 391,300 |
| OTHER SE | 142,166,716 |
| TOTAL LIABILITY AND EQUITY | 211,101,711 |
| SALES | 0 |
| TOTAL REVENUES | 89,149,324 |
| CGS | 0 |
| TOTAL COSTS | 55,643,607 |
| OTHER EXPENSES | 23,472,489 |
| LOSS PROVISION | (8,027,633) |
| INTEREST EXPENSE | 76,748 |
| INCOME PRETAX | 2,082,343 |
| INCOME TAX | 3,554,000 |
| INCOME CONTINUING | (1,471,657) |
| DISCONTINUED | 0 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | (1,471,657) |
| EPS PRIMARY | \$(0.04) |
| EPS DILUTED | \$(0.04) |

ARTICLE 5

THIS SCHEDULE CONTAINS RESTATED SUMMARY CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED MARCH 30, 1997 EXTRACTED FROM FORM 10-Q FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q.

RESTATED:

| | | |
|----------------------------|-------------|------|
| PERIOD TYPE | 3 MOS | |
| FISCAL YEAR END | DEC 31 1997 | |
| PERIOD START | JAN 01 1997 | |
| PERIOD END | MAR 30 1997 | |
| CASH | 94,584,823 | |
| SECURITIES | 0 | |
| RECEIVABLES | 60,597,939 | |
| ALLOWANCES | (198,917) | |
| INVENTORY | 0 | |
| CURRENT ASSETS | 164,694,252 | |
| PP&E | 55,503,873 | |
| DEPRECIATION | 0 | |
| TOTAL ASSETS | 226,308,618 | |
| CURRENT LIABILITIES | 48,833,188 | |
| BONDS | 0 | |
| PREFERRED MANDATORY | 0 | |
| PREFERRED | 0 | |
| COMMON | 388,604 | |
| OTHER SE | 147,863,160 | |
| TOTAL LIABILITY AND EQUITY | 226,308,618 | |
| SALES | 0 | |
| TOTAL REVENUES | 66,596,945 | |
| CGS | 0 | |
| TOTAL COSTS | 39,639,200 | |
| OTHER EXPENSES | 19,305,926 | |
| LOSS PROVISION | 0 | |
| INTEREST EXPENSE | 383,469 | |
| INCOME PRETAX | 8,093,689 | |
| INCOME TAX | 2,946,821 | |
| INCOME CONTINUING | 5,146,868 | |
| DISCONTINUED | 0 | |
| EXTRAORDINARY | 0 | |
| CHANGES | 0 | |
| NET INCOME | 5,146,868 | |
| EPS PRIMARY | \$ | 0.13 |
| EPS DILUTED | \$ | 0.13 |

ARTICLE 5

THIS SCHEDULE CONTAINS RESTATED SUMMARY CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 1996 EXTRACTED FROM FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-K.

RESTATED:

| PERIOD TYPE | YEAR | |
|----------------------------|--------------|------|
| FISCAL YEAR END | DEC 31 1996 | |
| PERIOD START | JAN 01 1996 | |
| PERIOD END | DEC 31 1996 | |
| CASH | 92,836,884 | |
| SECURITIES | 0 | |
| RECEIVABLES | 57,468,402 | |
| ALLOWANCES | (498,129) | |
| INVENTORY | 0 | |
| CURRENT ASSETS | 158,073,998 | |
| PP&E | 78,512,408 | |
| DEPRECIATION | (24,891,978) | |
| TOTAL ASSETS | 214,523,531 | |
| CURRENT LIABILITIES | 48,700,625 | |
| BONDS | 0 | |
| PREFERRED MANDATORY | 0 | |
| PREFERRED | 0 | |
| COMMON | 388,583 | |
| OTHER SE | 143,754,546 | |
| TOTAL LIABILITY AND EQUITY | 214,523,531 | |
| SALES | 0 | |
| TOTAL REVENUES | 218,995,751 | |
| CGS | 0 | |
| TOTAL COSTS | 134,235,748 | |
| OTHER EXPENSES | 67,823,910 | |
| LOSS PROVISION | 0 | |
| INTEREST EXPENSE | 596,828 | |
| INCOME PRETAX | 16,794,480 | |
| INCOME TAX | 6,489,937 | |
| INCOME CONTINUING | 10,304,543 | |
| DISCONTINUED | 0 | |
| EXTRAORDINARY | 0 | |
| CHANGES | 0 | |
| NET INCOME | 10,304,543 | |
| EPS PRIMARY | \$ | 0.30 |
| EPS DILUTED | \$ | 0.29 |

ARTICLE 5

THIS SCHEDULE CONTAINS RESTATED SUMMARY CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 1995 EXTRACTED FROM FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-K.

RESTATED:

| PERIOD TYPE | YEAR | |
|----------------------------|-------------|------|
| FISCAL YEAR END | DEC 31 1995 | |
| PERIOD START | JAN 01 1995 | |
| PERIOD END | DEC 31 1995 | |
| CASH | 5,033,508 | |
| SECURITIES | 0 | |
| RECEIVABLES | 35,134,839 | |
| ALLOWANCES | 0 | |
| INVENTORY | 0 | |
| CURRENT ASSETS | 45,302,586 | |
| PP&E | 37,873,038 | |
| DEPRECIATION | 0 | |
| TOTAL ASSETS | 85,958,329 | |
| CURRENT LIABILITIES | 45,581,408 | |
| BONDS | 0 | |
| PREFERRED MANDATORY | 0 | |
| PREFERRED | 0 | |
| COMMON | 272,024 | |
| OTHER SE | 17,929,187 | |
| TOTAL LIABILITY AND EQUITY | 85,958,329 | |
| SALES | 0 | |
| TOTAL REVENUES | 155,956,584 | |
| CGS | 0 | |
| TOTAL COSTS | 101,702,512 | |
| OTHER EXPENSES | 47,172,960 | |
| LOSS PROVISION | 0 | |
| INTEREST EXPENSE | 1,685,656 | |
| INCOME PRETAX | 5,571,253 | |
| INCOME TAX | 2,857,610 | |
| INCOME CONTINUING | 2,713,643 | |
| DISCONTINUED | 0 | |
| EXTRAORDINARY | 0 | |
| CHANGES | 0 | |
| NET INCOME | 2,713,643 | |
| EPS PRIMARY | \$ | 0.09 |
| EPS DILUTED | \$ | 0.09 |

End of Filing

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