SYKES ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 07/28/98 for the Period Ending 06/30/98

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 7/28/1998 For Period Ending 6/30/1998

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)

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

For the quarterly period ended June 30, 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 (State or other jurisdiction of incorporation or organization)	56-1383460 (I.R.S. Employer Identification No.)
100 North Tampa Street, Suite 3900, Tampa, FL (Address of principal executive office)	33602 (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.

[X] 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, 39,274,198 shares as of July 27, 1998.

PART I

Item 1 - Financial Statements

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED BALANCE SHEETS

	December 31, 1997	June 30, 1998 (Unaudited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 70,523,067	$ 27,230,515
Receivables, including unbilled	68,520,471	82,895,871
Prepaid expenses and other current assets	11,377,920	12,764,303
Total current assets	150,421,458	122,890,689
Property and equipment, net	71,282,183	75,252,974
Marketable securities	7,800,002	1,599,008
Investment in joint venture	2,285,142	6,276,875
Deferred charges and other assets	9,874,680	11,224,382
	$ 241,663,465	$ 217,243,928
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current installments of long-term debt	$ 2,989,271	$ 1,832,570
Accounts payable	19,905,671	21,549,142
Income tax payable	2,725,177	6,447,253
Accrued employee compensation and benefits	10,035,233	16,148,914
Other accrued expenses and current liabilities	6,449,650	5,345,162
Total current liabilities	42,105,002	51,323,041
Long-term debt	33,312,597	546,918
Deferred income taxes	4,374,963	4,060,803
Deferred grants	14,083,691	13,250,694
Total liabilities	93,876,253	69,181,456
Commitments and contingencies (Note 5)		
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 39,274,198 shares issued and outstanding	390,576	392,742
Additional paid-in capital	133,579,200	134,136,499
Retained earnings	17,106,620	23,547,558
Unrealized loss on securities, net of taxes	(734,518)	(5,935,512)
Accumulated foreign currency translation adjustments	(2,554,666)	(4,078,815)
Total shareholders' equity	147,787,212	148,062,472
	$ 241,663,465	$ 217,243,928

See accompanying notes to consolidated financial statements

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
Six and Three Months Ended June 29, 1997 and June 30, 1998
(Unaudited)

	Six Months Ended		Three Months Ended	
	June 29, 1997	June 30, 1998	June 29, 1997	June 30, 1998
Revenues	$145,820,843	$189,961,220	$ 79,223,898	$100,811,896
Operating expenses				
Direct salaries and related costs	89,257,480	118,346,928	49,618,280	62,703,321
General and administrative	41,525,904	49,266,414	22,219,978	25,793,925
Impairment of long-lived assets	10,400,000	-	10,400,000	-
Total operating expenses	141,183,384	167,613,342	82,238,258	88,497,246
Income (loss) from operations	4,637,459	22,347,878	(3,014,360)	12,314,650
Other income (expense)				
Interest, net	511,797	259,969	128,328	183,221
Net income (loss) from joint venture	-	(7,995,149)	-	20,000
Other	82,045	(29,760)	23,644	(17,276)
Total other income (expense)	593,842	(7,764,940)	151,972	185,945
Income (loss) before income taxes	5,231,301	14,582,938	(2,862,388)	12,500,595
Provision for income taxes	5,641,691	8,142,000	2,694,870	4,588,000
Net income (loss)	$ (410,390)	$ 6,440,938	$ (5,557,258)	$ 7,912,595
Basic net income (loss) per share	$ (0.01)	$ 0.17	$ (0.14)	$ 0.20
Diluted net income (loss) per share	$ (0.01)	$ 0.16	$ (0.14)	$ 0.20
Shares outstanding				
Basic	38,909,220	39,094,997	38,960,167	39,131,572
Diluted	40,245,462	40,157,645	40,326,278	40,158,479

See accompanying notes to consolidated financial statements

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended June 29, 1997 and June 30, 1998
(Unaudited)

	1997	1998
Cash flows from operating activities		
Net income (loss)	$ (410,390)	$ 6,440,938
Depreciation and amortization	6,063,940	6,936,401
In-process research and development costs expensed by joint venture	-	7,995,149
Deferred income taxes	(127,516)	(284,956)
Gain on disposal of property and equipment	(88,972)	(86,738)
Changes in assets and liabilities		
Receivables, including unbilled	(9,619,321)	(14,688,617)
Prepaid expenses and other current assets	4,644,452	(1,415,587)
Deferred charges and other assets	847,327	(1,719,468)
Accounts payable	6,364,283	1,643,471
Income taxes payable	440,202	4,135,317
Accrued employee compensation and benefits	121,182	5,980,166
Other accrued expenses and current liabilities	(2,952,942)	(970,973)
Net cash provided by operating activities	5,282,245	13,965,103
Cash flows from investing activities		
Capital expenditures	(11,816,946)	(11,461,455)
Investment in marketable securities	(8,000,000)	-
Investment in joint venture	-	(12,036,127)
Acquisition of business	(1,800,000)	-
Proceeds from sale of marketable security	-	1,000,000
Proceeds from sale of property and equipment	161,727	37,406
Net cash used for investing activities	(21,455,219)	(22,460,176)
Cash flows from financing activities		
Paydowns under revolving line of credit agreements	(72,441,000)	(654,016)
Borrowings under revolving line of credit agreements	72,441,000	713,638
Proceeds from grants	238,149	89,585
Proceeds from issuance of stock	2,127,710	559,465
Proceeds from issuance of long-term debt	16,175,268	-
Payment of long-term debt	(5,615,161)	(33,982,002)
Net cash provided by (used for) financing activities	12,925,966	(33,273,330)
Adjustment for foreign currency translation	(1,037,402)	(1,524,149)
Net decrease in cash and cash equivalents	(4,284,410)	(43,292,552)
Cash and cash equivalents - beginning	92,836,884	70,523,067
Cash and cash equivalents - ending	$ 88,552,474	$ 27,230,515

See accompanying notes to consolidated financial statements

SYKES ENTERPRISES, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Six months ended June 29, 1997 and June 30, 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, and customer product services. 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 state- ments. 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 and six-month periods ended June 30, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. For further informa- tion, 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 September 26, 1997, the Company acquired all of the stock of TAS Tele- marketing Gesellschaft fur Kommunikation and 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.

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 TAS I, TAS II and McQueen.

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

	Six Months Ended June 29, 1997	Three Months Ended June 29, 1997
Revenue:		
Sykes	$ 95,134,724	$ 48,461,800
TAS I	2,508,000	1,417,467
TAS II	910,000	502,000
McQueen	47,268,119	28,842,631
Combined	$ 145,820,843	$ 79,223,898
Net income (loss):		
Sykes	$ 8,961,806	$ 4,851,504
TAS I	40,000	(31,000)
TAS II	64,000	36,000
McQueen.....(1)	(9,476,196)	(10,413,762)
Combined	$ (410,390)	$ (5,557,258)

Other changes in shareholders' equity:

Sykes	$ 3,562,561	$ 3,899,840
TAS I	(332,816)	(332,816)
TAS II	(23,225)	(23,225)
McQueen	1,083,788	1,343,197
Combined	$ 4,290,308	$ 4,886,996

(1) The six and three month periods ended June 29, 1997 include $10.4 million of charges associated with the impairment of a long-lived asset pursuant to Statement of Financial Accounting Standards ("SFAS") No. 121.

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 $1.6 million as of June 30, 1998. The Company's cost basis in this investment is $8.0 million, and the unrealized loss of $6.4 million, net of deferred income taxes of approxi- mately $465,000, is reported as a separate component of shareholders' equity.

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 develop- ment.

Note 4 - Comprehensive Income

Effective January 1, 1998 the Company has adopted SFAS 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:

	Six Months Ended		Three Months Ended	
	June 29, 1997	June 30, 1998	June 29, 1997	June 30, 1998
Net income (loss)	$ (410,390)	$ 6,440,938	$ (5,557,258)	$ 7,912,595
Other comprehensive income:				
Change in equity due to foreign currency translation adjustments	(1,037,402)	(1,524,149)	(440,714)	(603,632)
Unrealized gain (loss) on securities, net of tax	3,200,000	(6,200,994)	3,200,000	(2,332,400)
Other comprehensive income before tax	2,162,598	(7,725,143)	2,759,286	(2,936,032)
Income tax expense related to other comprehensive income	779,000	(2,781,000)	993,000	(1,057,000)
Other comprehensive income, net of tax	1,383,598	(4,944,143)	1,766,286	(1,879,000)
Comprehensive income	$ 973,208	$ 1,496,795	$ (3,790,972)	$ 6,033,563

Note 5 - Commitments and Contingencies

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 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.

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

	Six Months Ended		Three Months Ended	
	June 29, 1997	June 30, 1998	June 29, 1997	June 30, 1998
Basic:				
Weighted average common Outstanding	38,909,220	39,094,997	38,960,167	39,131,572
Total basic.	38,909,220	39,094,997	38,960,167	39,131,572
Diluted:				
Dilution of stock options . .	1,336,242	1,062,648	1,366,111	1,026,907
Total diluted.	40,245,462	40,157,645	40,326,278	40,158,479

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 $150.0 million syndicated facility, which provides for multi-currency lending. This 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 six month period ended June 30, 1998, the Company generated approximately $14.0 million in cash, net, from operations. The Company utilized these funds and its available cash equivalents to fund $34.0 million repayment of debt, $12.0 million of additional capitalization in a joint venture and $11.5 million of capital expenditures. The debt repay- ments 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 HealthPlan 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 the expansion of its pan-European call center in Amsterdam, The Netherlands, and anticipates that this new facility will become opera- tional during 1999.

The Company believes that its current cash position, accessible funds under its credit facilities and cash flows from 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

Six Months Ended June 30, 1998, Compared to Six Months Ended June 29, 1997

For the six months ended June 30, 1998, the Company recorded consolidated revenues of $190.0 million, an increase of approximately $44.1 million or 30%, from the $145.8 million of the comparable period during 1997. This growth in revenue was primarily the result of a $29.2 million or 45% increase in technical support services, an increase of $5.9 million from information technology services and solutions and an increase of $9.0 million from customer product services.

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. Subsequent to the second quarter of 1997, the Company opened two new IT call centers which were fully operational during 1998. The increase in customer product services revenue for the six months ended June 30, 1998 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 increase in information technology services and solutions revenues was attributable to an increase in the average bill rate and hours billed to customers and to an increase in license fees and royalties associated with the Company's technology applications when compared to the comparable period in 1997.

Direct salaries and related costs increased approximately $29.1 million or 33% to $118.3 million for the six month period in 1998 from the comparable period in 1997. As a percentage of revenues, direct salaries and related costs was approximately 62% in 1998 from approximately 61% from the comparable period 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 $7.7 million or 19% to $49.3 million for the six month period in 1998 from the comparable period in 1997. As a percentage of revenues, however, general and administrative expenses decreased to 26% in 1998 from 29% for the six month comparable period 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 large revenue base.

Interest and other expense was $7.8 million during the first six months of 1998 from interest and other income of $0.6 million during the comparable 1997 period. As a percentage of revenues, interest and other expense was approximately 4% in 1998 from interest and other income of less than 1% in 1997. The increase in interest and other expense for the six month period 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 the six months ended June 30, 1998, the Company repaid a significant amount of outstanding bank debt.

The provision for income taxes increased $2.5 million to $8.1 million for the six month period in 1998 from the comparable period in 1997. As a percentage of revenue, the provision for income taxes increased to 4.3% during the 1998 period when contrasted to approximately 3.9% for the comparable 1997 period. The Company's marginal tax rate was 36% for both the 1998 and 1997 periods, excluding the effect of one-time charges.

Three Months Ended June 30, 1998, Compared to Three Months Ended June 29, 1997

For the three months ended June 30, 1998, the Company recorded consoli- dated revenues of $100.8 million, an increase of approximately $21.6 million, or 27%, from the $79.2 million of the comparable period during 1997. This growth in revenue was primarily the result of $15.6 million, or 49%, increase in technical support services, an increase in revenues of $8.6 million from information technology services and solutions, partially offset by a decrease of $2.7 million from customer product services.

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. Subsequent to the second quarter of 1997, the Company opened two new IT call centers which were fully operational during 1998. The increase in information technology services and solutions revenues was attributable to an increase in the average bill rate and hours billed to customers and to an increase in license fees and royalties associated with the Company's technology applications when compared to the comparable period in 1997. The decrease in customer product services revenues was attributable to a reduction of selective clients which were inconsistent with the Company's business objectives.

Direct salaries and related costs increased approximately $13.1 million, or 26%, to $62.7 million, for the three month period in 1998 from the comparable period in 1997. As a percentage of revenues, direct salaries and related costs was approximately 62% in 1998 from approximately 63% from the comparable period in 1997. The increase in the dollar amount of direct salaries and related costs was primarily attributable to the addition of personnel to support revenue growth. The decrease as a percentage of revenues resulted from economies of scale associated with spreading costs over a larger revenue base and the continued change in the Company's mix of business reflecting the growth of information technology support services as a percentage of consolidated results.

General and administrative expenses increased approximately $3.6 million, or 16%, to $25.8 million, for the three month period in 1998 from the comparable period in 1997. As a percentage of revenues, however, general and administrative expenses decreased to 26% in 1998 from 28%, for the three month comparable period 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 large revenue base.

Interest and other income was $0.2 million during both the three months ended June 30, 1998 and the comparable 1997 period.

The provision for income taxes increased $1.9 million, to $4.6 million, for the three month period in 1998 from the comparable period in 1997. As a percentage of revenue, the provision for income taxes increased to 4.6% during the 1998 period when contrasted to approximately 3.4% for the comparable 1997 period. The Company's marginal tax rate was 36% for both the 1998 and 1997 periods, excluding the effect of one-time charges.

Part II OTHER INFORMATION

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits

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

10.14 Management Stock Incentive Plan
27.1 Financial Data Schedule

(b) Reports on Form 8-K

None

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: July 28, 1998

By: /s/Scott J. Bendert
Senior Vice President-Finance,
Treasurer and Chief Financial
Officer (Principal Financial and
Accounting Officer)

SYKES ENTERPRISES, INCORPORATED

FORM 10-Q

(For The Six Months Ended June 30,1998)

EXHIBIT INDEX

SYKES ENTERPRISES, INCORPORATED

1997 MANAGEMENT STOCK INCENTIVE PLAN

1. Establishment. SYKES ENTERPRISES, INCORPORATED (the "Company" which, for the purposes hereof, shall be construed to include and encompass its Subsidiaries), hereby establishes a stock incentive plan for its officers and managers, as described herein, which shall be known as the "SYKES ENTERPRISES, INCORPORATED 1997 MANAGEMENT STOCK INCENTIVE PLAN" (the "Plan"). It is intended that performance-accelerated non-qualified stock options may be granted under the Plan.

2. Purpose. The purpose of the Plan is to reward certain officers and certain managers for superior service to the Company, or any of its Subsidiaries, to induce such persons to remain in the employ of the Company, to provide incentives to enhance such persons' performance, and to encourage such persons to secure or increase, on reasonable terms, their stock ownership in the Company. The Board of Directors of the Company (the "Board") believes that the Plan will promote continuity of management, increased incentive and personal interest in the welfare of the Company by those who are primarily responsible for shaping and carrying out the long-range plans of the Company and secure its continued growth and financial success.

3. Definitions.

3.1. "Board" shall mean the Board of Directors of the Company, as the same shall change from time to time.

3.2. "Code" shall mean the Internal Revenue Code of 1986, as amended.

3.3. "Fair Market Value" means, with respect to a share, if the shares are then listed and traded on a registered national or regional securities exchange, or quoted on The National Association of Securities Dealers' Automated Quotation System (including The Nasdaq Stock Market's National Market), the average closing price of a share on such exchange or quotation system for the five trading days immediately preceding the date of grant of an Option, or, if Fair market Value is used herein in connection with any event other than the grant of an Option, then such average closing price for the five trading days immediately preceding the date of such event. If the shares are not traded on a registered securities exchange or quoted in such a quotation system, the Committee shall determine the Fair market Value of a share.

3.4. "Performance Objectives" shall mean such performance criteria as is determined by the Committee (as defined below) or the Board and which will qualify the related Stock Option as performance-based compensation under Section 162(m) of the Code. Such Performance Objectives shall be equal to a desired level or levels for any fiscal period, year or years of any or a combination of the following criteria on an absolute or relative basis, and, where applicable, measured before or after interest, depreciation, amortization, service fees, extraordinary items and/or special items: (i) pre-tax earnings, (ii) operating earnings,
(iii) after-tax earnings, (iv) return on investment, (v) earnings value added, (vi) earnings per share, (vii) revenues, (viii) cash flow or cash flow return on investment, (ix) return on assets or return on net assets,
(x) return on capital, (xi) return on equity, (xii) return on sales,
(xiii) operating margin or (xiv) total shareholder return or stock price appreciation, or such other non-financial criteria as determined by the Committee; provided that with respect to certain participants, the Performance Objectives may be based upon divisional rather than consolidated results, or a combination of the two.

3.5. "Stock Options" shall mean performance-contingent non- qualified stock options as more fully described in Section 8 hereunder.

3.6. "Subsidiary" means any "subsidiary corporation" within the meaning of Section 424(f) of the Code.

4. Effective Date of the Plan. The effective date of the Plan is the date of its adoption by the Board of Directors of the Company, subject to the approval and ratification of the Plan by the shareholders of the Company within twelve (12) months of the effective date, and any and all awards made under the Plan prior to such approval shall be subject to such approval.

5. Stock Subject to Plan. Subject to adjustment in accordance with the provisions of Section 12, common stock, one cent ($.01) par value per share, not to exceed four million (4,000,000) shares, may be issued pursuant to the Plan. Such shares shall be authorized and unissued shares. If any Stock Options expire, are canceled, or terminate for any reason(s) without having been exercised in full, the shares subject to the unexercised portion thereof shall again be available for the purposes of the Plan.

6. Administration.

6.1. Committee. The Plan shall be administered by the Compensation Committee (the "Committee") of the Board, consisting of not less than two (2) directors, each of whom shall qualify as a "non-employee director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor rule or regulation, and an "outside director" within the meaning of Section 162(m) of the Code, and the Treasury Regulations promulgated thereunder. If at any time the Committee shall not be in existence or not consist of directors who are qualified as "non-employee directors" and "outside directors" as defined above, the Board shall administer the Plan. To the extent permitted by applicable law, the Board may, in its discretion, delegate to another committee of the Board or to one or more senior officers of the Company any or all of the authority and responsibility of the Committee with respect to Stock Options to Participants (as defined in

Section 7 hereunder) other than Participants who are subject to the provisions of Section 16 of the Exchange Act ("Section 16 Participants"). To the extent that the Board has delegated to such other committee or one or more officers the authority and responsibility of the Committee, all references to the Committee herein shall include such other committee or one or more officers.

6.2. Authority of the Committee. The Committee shall have authority to grant Stock Options to any Participants (as defined in Section 7 hereunder) under the Plan. Subject to the express provisions of the Plan, the Committee shall have complete authority to establish such rules and regulations as it deems necessary or advisable for the proper administration of the Plan, and, in its discretion, to determine the individuals to whom, and the time or times at which Stock Options shall be granted, the exercise periods, limitations on exercise, the number of shares to be subject to each Stock Option and any other terms, limitations, conditions and restrictions on Stock Options as the Committee, in its discretion, deems appropriate. In making such determinations, the Committee may take into account the nature of the services rendered by the respective individuals, their present and potential contributions to the success of the Company or its subsidiaries, and such other factors as the Committee in its discretion shall deem relevant. The Committee shall also have complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Stock Options agreements (which need not be identical), to waive any conditions or restrictions with respect to any Stock Option and to make all other determinations necessary or advisable for the administration of the Plan. The Committee determinations on the matters referred to in this Section 6.2 shall be conclusive.

6.3. No Liability. No member or former member of the Board or Committee shall be liable for any action or inaction or determination made in good faith with respect to the Plan or any Stock Option. To the maximum extent permitted by applicable law and by the Company's Articles of Incorporation and Bylaws, each such person shall be indemnified and held harmless by the Company against any cost or expense and liability arising out of any act or omission to act in connection with the Plan.

7. Eligibility. Stock Options may be granted to officers and managers of the Company, or any of its Subsidiaries, rendering bona fide services to the Company, or any of its Subsidiaries ("Participants") under the Plan.

8. Grants of Stock Options.

8.1. Grant. Subject to the provisions of the Plan, the Committee may grant to Participants performance-accelerated non-qualified stock options (collectively "Stock Options") in such amounts as the Committee shall determine. Subject to the provisions hereof, the Committee shall have full discretion to determine the terms and conditions (including vesting and exercise) of all Stock Options. Stock Options may be granted under the Plan to such Participants as the Committee shall determine in its sole discretion, based upon Performance Objectives.

8.2. Outside Exercise Period. The Committee shall establish an exercise period within which the Stock Options must be vested and exercisable (the "Outside Exercise Period"). The Outside Exercise Period must have commenced and terminated within ten (10) years from the date of grant of the Stock Option.

8.3. Acceleration. The Committee shall, in its sole discretion specify Performance Objectives which shall cause the vesting and exercise period of such Stock Options to accelerate (the "Accelerated Exercise Period"). The Accelerated Exercise Period must terminate within ten (10) years from the date of grant of the Stock Option.

8.4. Option Price. The per share option price of a Stock Option, as determined by the Committee, shall never be less than the Fair Market Value of the shares on the date of grant of the Stock Option.

9. Exercise of Options.

9.1. Manner of Exercise. The Committee shall prescribe the manner in which a Participant may exercise a Stock Option which is not inconsistent with the provisions of this Plan. A Stock Option may be exercised, subject to limitations on its exercise, from time to time, only by (i) providing written notice of intent to exercise the Stock Option with respect to a specified number of shares, and (ii) payment in full to the Company of the option price at the time of exercise. Payment of the option price may be made (i) by delivery of cash and/or securities of the Company having a then Fair Market Value equal to the option price, or (ii) by delivery (including by fax) to the Company or its designated agent of an executed irrevocable option exercise form together with irrevocable instructions to a broker-dealer to sell or margin a sufficient portion of the shares and deliver the sale or margin loan proceeds directly to the Company to pay for the option price.

9.2. Prerequisites of Exercise. All certificates for shares of stock delivered pursuant to the exercise of any Stock Option shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission and any applicable federal or state securities laws, and legends may be put on any such certificates to make appropriate reference to such restrictions. As a condition to the exercise of any Stock Option under the Plan, the Committee may require a Participant to execute a lock-up agreement as requested by the Company's underwriters. Each Stock Option shall be subject to the requirement that, if at any time (i) the registration or qualification of shares relating to such Stock Option on any securities exchange or under any state or federal securities laws, or (ii) the approval of any securities exchange or regulatory body, is necessary or desirable as a precondition to issuance to, the issuance of shares in connection therewith may not be consummated unless such listing, registration, qualification or approval shall have been effected.

10. Transferability of Stock Options. Except as otherwise specifically provided for herein, Stock Options are not transferable otherwise than by will or the laws of descent and distribution, and may be exercised during the life of the Participant only by the Participant.

11. Termination of Employment.

11.1. Termination Without Cause. Unless otherwise determined by the Committee or provided in the Stock Option agreement granted to a Participant, in the event of the termination of a Participant's employment with the Company for any reason other than (i) the Participant's death, permanent disability or retirement with the written consent of the Company; (ii) for Cause, as defined in paragraph 11.2 hereinbelow; or (iii) the Participant's voluntary choice to leave the employ of the Company, then the Participant shall have thirty (30) days from the date of termination to exercise any Stock Option which was exercisable immediately prior to such termination, and subject to the provisions of paragraphs 8.2 and 8.3 hereof. The Committee may cancel a Stock Option if, during the thirty (30) day period referred to in this paragraph 11.1, the Participant engages in employment or activities contrary, in the opinion of the Committee, to the best interests of the Company.

11.2. Termination for Cause and Voluntary Termination. In the event a Participant is terminated or dismissed for Cause, or if a Participant voluntarily terminates his or her employment with the Company, all rights to exercise any Stock Option shall terminate immediately on the date of termination of employment, unless otherwise determined by the Committee or provided in the Stock Option agreement granted to such Participant.

For the purpose of this Section "Cause" shall mean:

(i) the continued failure by the Participant to substantially perform his duties with the Company (other than any such failure resulting from his incapacity due to physical or mental illness);

(ii) the engaging by the Participant in conduct which has caused, or is reasonably likely to cause, demonstrable and serious injury to the Company, monetarily or otherwise;

(iii) any "cause" defined in the Participant's employment agreement with the Company, if any; or

(iv) the Participant's conviction of a felony, as evidenced by a binding and final judgment, order or decree of a court of competent jurisdiction, which substantially impairs the Participant's ability to perform his or her duties to the Company.

11.3. Death, Retirement or Disability. If a Participant's cessation of employment with the Company is due to Participant's (i) death within the period while employed by the Company or within the period when a Stock Option would have otherwise been exercised by the Participant; (ii) retirement with the written consent of the Company; or (iii) "permanent or total disability" (within the meaning of Section 22(e)(3) of the Code), then Participant, or his or her beneficiary or duly authorized representative may, at any time within three (3) months after such cessation of employment, and subject to the provisions of paragraphs 8.2 and 8.3 hereof, exercise any Stock Option to the extent such Stock Option was exercisable immediately prior to such Participant's death, retirement or disability. The Committee may cancel all or part of the Stock Option if, during the three (3) month period after Participant's retirement or disability, as referred to herein, the Participant engages in employment or activities contrary, in the opinion of the Committee, to the best interests of the Company. In the discretion of the Committee, the three- month period provided for in this paragraph 11.3 may be extended for a period of up to one year. The Committee shall determine in each case whether a termination of employment shall be considered a retirement with the consent of the Company and subject to applicable law. The Committee shall also determine whether a leave of absence shall constitute a termination of employment. Any determinations of the Committee shall be final and conclusive unless overruled by the Board.

12. Capital Adjustment Provisions. In the event of any change in the shares of common stock of the Company by reason of a stock dividend, stock split, reorganization, merger, consolidation, spin-off, recapitalization, reclassification, split-up, combination or exchange of shares, or otherwise, the aggregate number and class of shares available under this Plan, the number and class of shares subject to each outstanding Stock Option, and the exercise price for shares subject to each outstanding Stock Option, shall be appropriately adjusted by the Committee (whose determination in this regard shall be conclusive) such that the proportionate interest of a Participant immediately following such event shall, to the extent practicable, be the same as immediately prior to such event.

13. Termination and Amendment of Plan. The Plan shall terminate ten years from the effective date as defined in Section 4, unless sooner terminated as hereinafter provided. The Board may at any time terminate the Plan, or amend the Plan as it shall deem advisable including (without limiting the generality of the foregoing) any amendments deemed by the Board to be necessary or advisable to assure the Company's deduction under
Section 162(m) of the Code for all Stock Options granted under the Plan, to assure conformity with any requirements of other state or federal laws or regulations; provided, however, that shareholder approval of any amendment of the Plan shall also be obtained if otherwise required by (i) the Code or any rules promulgated thereunder (in order to enable the Company to comply with the provisions of Section 162(m) of the Code) or
(ii) the listing requirements of any principal securities exchange or market on which the shares are then traded (in order to maintain the listing or quotation of the shares thereon). No termination or amendment of the Plan may, without the consent of the Participant, adversely affect the rights of such Participant under any Stock Option previously granted.

14. Rights of Participants. Nothing in this Plan or in any Stock Options shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

15. Rights as a Shareholder. A Participant shall have no rights as a shareholder with respect to shares covered by any Stock Option until the

date of issuance of the stock certificate to such Participant and only after such shares are fully paid. No adjustment will be made for dividends or other rights for which the record date is prior to the date such stock is issued.

16. Tax Withholding. The Company may deduct and withhold from any cash otherwise payable to a Participant such amount as may be required for the purpose of satisfying the Company's obligation to withhold Federal, state or local taxes in connection with any Stock Option. Further, in the event the amount so withheld is insufficient for such purpose, the Company may require that the Participant pay to the Company upon its demand or otherwise make arrangements satisfactory to the Company for payment of such amount as may be requested by the Company in order to satisfy its obligation to withhold any such taxes.

A Participant may be permitted to satisfy the Company's withholding tax requirements by electing to have the Company withhold shares of stock otherwise issuable to the Participant. The election shall be made in writing and shall be made according to such rules and in such form as the Committee may determine.

17. Miscellaneous. The grant of any Stock Option under the Plan may also be subject to other provisions as the Committee determines appropriate, including, without limitation, provisions for (a) one or more means to enable Participants to defer recognition of taxable income relating to Stock Options, which means may provide for a return to a Participant on amounts deferred as determined by the Committee; (b) the purchase of stock under Stock Options in installments; and (c) compliance with federal or state securities laws and stock exchange or market requirements.

18. Agreements. Stock Options granted pursuant to the Plan shall be evidenced by written agreements in such forms as the Committee shall from time to time adopt.

19. Governing Law. The Plan and all determinations made and actions taken pursuant thereto shall be governed by and construed in accordance with the internal laws of the State of Florida.

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY CONSOLIDATED FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S FORM 10-Q FOR THE SIX MONTH PERIOD ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q.

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	JUN 30 1998
CASH	27,230,515
SECURITIES	0
RECEIVABLES	83,574,355
ALLOWANCES	678,484
INVENTORY	0
CURRENT ASSETS	122,890,689
PP&E	123,297,090
DEPRECIATION	48,044,117
TOTAL ASSETS	217,243,928
CURRENT LIABILITIES	51,323,041
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	392,742
COMMON	0
OTHER SE	147,669,730
TOTAL LIABILITY AND EQUITY	217,243,928
SALES	189,961,220
TOTAL REVENUES	189,961,220
CGS	118,346,928
TOTAL COSTS	118,346,928
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	259,969
INCOME PRETAX	14,582,938
INCOME TAX	8,142,000
INCOME CONTINUING	6,440,938
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	6,440,938
EPS PRIMARY	.17
EPS DILUTED	.16

End of Filing