SYKES ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 11/14/02 for the Period Ending 09/30/02

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

SYKES ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

Filed 11/14/2002 For Period Ending 9/30/2002

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2002.

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

Commission File No. 0-28274

Sykes Enterprises, Incorporated

(Exact name of Registrant as specified in its charter)

Florida	**56-1383460**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

400 North Ashley Drive, Tampa, FL 33602

(Address of principal executive offices) (Zip Code)

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

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

(Former address, if changed since last report)

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

[X] Yes [ ] No

As of November 7, 2002, there were 40,387,532 shares of common stock outstanding.

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PART I

Item 1 – Financial Statements and Independent Accountants' Report.

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands, except per share data,)

	September 30, 2002	December 31, 2001
Assets		
Current assets:		
Cash and cash equivalents	$ 91,149	$ 50,002
Receivables	68,030	93,522
Prepaid expenses and other current assets	10,529	11,750
Total current assets	169,708	155,274
Property and equipment, net	124,827	140,551
Intangible assets, net	6,412	4,816
Deferred charges and other assets	14,995	9,139
	$315,942	$309,780
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 11,226	$ 15,772
Accrued employee compensation and benefits	28,118	29,100
Other accrued expenses and current liabilities	26,927	13,855
Total current liabilities	66,271	58,727
Deferred grants	35,798	39,543
Deferred revenue	16,823	20,298
Other long-term liabilities	31	—
Total liabilities	118,923	118,568
Contingencies		
Shareholders' equity:		
Preferred stock, $0.01 par value, 10,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.01 par value, 200,000 shares authorized; 43,470 and 43,300 issued	435	433
Additional paid-in capital	161,814	160,907
Retained earnings	90,112	90,839
Accumulated other comprehensive loss	(14,119)	(20,212)
	238,242	231,967
Treasury stock at cost; 3,071 shares and 3,000 shares	(41,223)	(40,755)
Total shareholders' equity	197,019	191,212
	$315,942	$309,780

See accompanying notes to condensed consolidated financial statements.

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Operations
Three and Nine Months Ended September 30, 2002 and September 30, 2001
(Unaudited)

(in thousands, except for per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenues	$109,658	$112,742	$339,230	$376,415
Operating expenses:				
Direct salaries and related costs	69,910	71,323	212,788	238,448
General and administrative	37,585	40,518	114,993	123,958
Total operating expenses	107,495	111,841	327,781	362,406
Income from operations	2,163	901	11,449	14,009
Other income (expense):				
Litigation settlement	(13,800)	—	(13,800)	—
Gain on sale of facilities, net	1,599	—	1,599	—
Interest, net	323	65	334	197
Other	(391)	74	(683)	(260)
Total other income (expense)	(12,269)	139	(12,550)	(63)
Income (loss) before provision (benefit) for income taxes	(10,106)	1,040	(1,101)	13,946
Provision (benefit) for income taxes	(3,436)	(667)	(374)	4,189
Net income (loss)	$ (6,670)	$ 1,707	$ (727)	$ 9,757
Net income (loss) per share:				
Basic	$ (0.17)	$ 0.04	$ (0.02)	$ 0.24
Diluted	$ (0.17)	$ 0.04	$ (0.02)	$ 0.24
Weighted average shares:				
Basic	40,411	40,175	40,404	40,162
Diluted	40,411	40,520	40,404	40,429

See accompanying notes to condensed consolidated financial statements.

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Changes in Shareholders' Equity
Nine Months Ended September 30, 2001, Three Months Ended December 31, 2001 and
Nine Months Ended September 30, 2002
(Unaudited)

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at January 1, 2001	43,084	$431	$159,696	$ 90,430	$(14,082)	$(40,583)	$195,892
Issuance of common stock	77	1	364	—	—	—	365
Purchase of treasury stock	—	—	—	—	—	(172)	(172)
Comprehensive income:							
Net income for the nine months ended September 30, 2001	—	—	—	9,757	—	—	9,757
Foreign currency translation adjustment	—	—	—	—	(3,577)	—	(3,577)
Total							6,180
Balance at September 30, 2001	43,161	432	160,060	100,187	(17,659)	(40,755)	202,265
Issuance of common stock	139	1	609	—	—	—	610
Tax-effect of exercise of non-qualified stock options	—	—	238	—	—	—	238
Comprehensive loss:							
Net loss for the three months ended December 31, 2001	—	—	—	(9,348)	—	—	(9,348)
Foreign currency translation adjustment	—	—	—	—	(2,553)	—	(2,553)
Total							(11,901)
Balance at December 31, 2001	43,300	433	160,907	90,839	(20,212)	(40,755)	191,212
Issuance of common stock	170	2	907	—	—	—	909
Purchase of treasury stock	—	—	—	—	—	(468)	(468)
Comprehensive income:							
Net loss for the nine months ended September 30, 2002	—	—	—	(727)	—	—	(727)
Foreign currency translation adjustment	—	—	—	—	6,093	—	6,093
Total							5,366
Balance at September 30, 2002	43,470	$435	$161,814	$ 90,112	$(14,119)	$(41,223)	$197,019

See accompanying notes to condensed consolidated financial statements.

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Nine months ended September 30, 2002 and September 30, 2001
(Unaudited)

(in thousands)	2002	2001
Cash flows from operating activities :		
Net income (loss)	$ (727)	$ 9,757
Depreciation and amortization	25,082	26,580
Deferred income tax (benefit) provision	(4,291)	232
Litigation settlement	13,800	—
Gain on sale of facilities, net	(1,599)	—
Loss on disposal of property and equipment	734	555
Changes in assets and liabilities:		
Receivables	20,195	48,391
Prepaid expenses and other current assets	1,017	800
Deferred charges and other assets	(370)	5,025
Accounts payable	(463)	(20,784)
Income taxes payable	7,758	(4,547)
Accrued employee compensation and benefits	(1,848)	(2,040)
Other accrued expenses and current liabilities	(2,916)	(6,337)
Deferred revenue	(2,897)	(3,058)
Other long-term liabilities	(91)	(1,076)
Net cash provided by operating activities	53,384	53,498
Cash flows from investing activities:		
Capital expenditures	(15,942)	(25,657)
Acquisition of intangible assets	(1,860)	—
Proceeds from sale of facilities	2,000	—
Proceeds from sale of property and equipment	200	542
Net cash used for investing activities	(15,602)	(25,115)
Cash flows from financing activities:		
Paydowns under revolving line of credit agreements	—	(13,363)
Borrowings under revolving line of credit agreements	—	13,336
Payments of long-term debt	(33)	(8,408)
Proceeds from issuance of stock	909	365
Purchase of treasury stock	(468)	(172)
Proceeds from grants	—	9,155
Net cash provided by financing activities	408	913
Effects of exchange rates on cash	2,957	(1,916)
Net increase in cash and cash equivalents	41,147	27,380
Cash and cash equivalents – beginning	50,002	30,141
Cash and cash equivalents – ending	$ 91,149	$ 57,521
Supplemental disclosures of cash flow information:		
Cash paid during period for:		
Interest	$ 857	$ 707
Income taxes	$ 7,248	$ 5,544

See accompanying notes to condensed consolidated financial statements.

Sykes Enterprises, Incorporated and Subsidiaries
Notes To Condensed Consolidated Financial Statements
Nine months ended September 30, 2002 and September 30, 2001
(Unaudited)

Sykes Enterprises, Incorporated and consolidated subsidiaries ("Sykes" or the "Company") provides customer management solutions and services to external and internal customers of companies, primarily within the technology/consumer, communications and financial services markets. Sykes provides customer support outsourcing solutions with an emphasis on technical support and customer service. These services are delivered through multiple communication channels encompassing phone, e-mail, web and chat. Sykes complements its customer support outsourcing services with technical staffing and fulfillment services designed to deliver services that are customized to meet each company's unique customer management needs. The Company has operations in two geographic regions entitled (1) the Americas, which includes the United States, Canada, Latin America and the Asia Pacific Rim in which the client base is primarily companies in the United States that are using the Company's offshore services to support their customer management needs; and (2) EMEA, which includes Europe, the Middle East, and Africa.

Note 1 – Basis of Presentation and Recent Accounting Pronouncements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. In addition, certain reclassifications have been made for consistent presentation. Operating results for the three and nine months ended September 30, 2002 are not necessarily indicative of the results that may be expected for any future quarters or the year ending December 31, 2002. For further information, refer to the consolidated financial statements and notes thereto, included in the Company's Form 10-K for the year ended December 31, 2001 as filed with the Securities and Exchange Commission (SEC).

Recent Accounting Pronouncements — In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, " *Business Combinations"* , and SFAS No. 142, " *Goodwill and Other Intangible Assets* ." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. It also specifies the types of acquired intangible assets that are required to be recognized and reported separate from goodwill. The Company adopted the provisions of SFAS No. 141 and the adoption of this statement had no impact on the financial condition, results of operations, or cash flows of the Company. SFAS No. 142 requires that goodwill and certain intangibles with indefinite lives no longer be amortized, but instead be tested for impairment at least annually. The Company adopted the provisions of SFAS No. 142 effective January 1, 2002 and accordingly ceased amortization of goodwill. Prior to the adoption of this statement, the amortization of goodwill as it was reported at December 31, 2001 would have represented a $0.1 million decrease to the third quarter's 2002 net income (or less than $0.01 per diluted share) and a $0.4 million decrease to the full year 2002 net income (or $0.01 per diluted share). Also, in connection with the adoption of SFAS No. 142, the Company assigned goodwill to reporting units and performed transitional impairment tests for goodwill during the first quarter of 2002. No impairment of goodwill was determined as a result of these tests.

Sykes Enterprises, Incorporated and Subsidiaries
Notes To Condensed Consolidated Financial Statements
Nine months ended September 30, 2002 and September 30, 2001
(Unaudited)

Note 1 – Basis of Presentation and Recent Accounting Pronouncements (continued)

A reconciliation of reported net income (loss) to net income (loss) adjusted to reflect the impact of the discontinuance of the amortization of goodwill for the three and nine months ended September 30, 2002 and 2001, is as follows:

(in thousands except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Net income (loss):				
Reported net income (loss)	$(6,670)	$1,707	$ (727)	$ 9,757
Add back goodwill amortization, net of taxes	—	169	—	626
Adjusted net income (loss)	$(6,670)	$1,876	$ (727)	$10,383
Net income (loss) per basic share:				
Reported net income (loss)	$ (0.17)	$ 0.04	$(0.02)	$ 0.24
Add back goodwill amortization, net of taxes	—	0.01	—	0.02
Adjusted net income (loss)	$ (0.17)	$ 0.05	$(0.02)	$ 0.26
Net income (loss) per diluted share:				
Reported net income (loss)	$ (0.17)	$ 0.04	$(0.02)	$ 0.24
Add back goodwill amortization, net of taxes	—	0.01	—	0.02
Adjusted net income (loss)	$ (0.17)	$ 0.05	$(0.02)	$ 0.26

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

In October 2001, the FASB issued SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets"*. SFAS No. 144 addresses the accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, *"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of"* and APB Opinion No. 30, *"Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions."* The objective of SFAS No. 144 is to establish one accounting model for long-lived assets to be disposed of by sale as well as resolve implementation issues related to SFAS No. 121. The Company adopted SFAS No. 144 effective January 1, 2002 and the adoption of this statement had no impact on the financial condition, results of operations, or cash flows of the Company.

In April 2002, the FASB issued SFAS No. 145, " *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* ." Among other provisions, SFAS No. 145 rescinds SFAS 4 "Reporting Gains and Losses from Extinguishment of Debt." Accordingly, gains or losses from extinguishment of debt will no longer be reported as extraordinary items unless the extinguishment qualifies as an extraordinary item under the criteria of Accounting Principles Board ("APB") Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." Gains or losses from extinguishment of debt that do not meet the criteria of APB 30 will be reclassified to income from continuing operations in all prior periods presented. The provisions of

Sykes Enterprises, Incorporated and Subsidiaries
Notes To Condensed Consolidated Financial Statements
Nine months ended September 30, 2002 and September 30, 2001
(Unaudited)

Note 1 – Basis of Presentation and Recent Accounting Pronouncements (continued)

SFAS No. 145 will be effective for the quarter ending March 31, 2003. Upon adoption, the Company does not expect the adoption of this standard to have a material effect on its results of operations.

In July 2002, the FASB issued SFAS No. 146, “ *Accounting for Costs Associated with Exit or Disposal Activities* ,” which changes the accounting for costs such as lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, facilities closing, or other exit or disposal activity initiated after December 31, 2002. The standard requires companies to recognize the fair value of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 will be applied prospectively to exit or disposal activities that are initiated after December 31, 2002.

Note 2 – Intangible Assets

In April 2002, the Company acquired the rights to a multi-year customer service and technical support agreement and the net assets of a call center in Bocholt, Germany for $1.9 million in cash. In connection with the purchase, the Company recognized identifiable intangible assets of $1.8 million related to the underlying customer support agreement and recorded net assets of $0.1 million. The intangible asset is amortized over 36 months, the estimated life of the agreement.

Note 3 – Treasury Stock

On August 5, 2002, the Company’s Board of Directors authorized the purchase of up to three million shares of its outstanding common stock. The shares will be purchased, from time to time, through open market purchases or in negotiated private transactions, and the purchases will be based on factors, including but not limited to, the stock price and general market conditions. The amendment to the Company’s revolving credit facility, which was effective as of September 30, 2002 (see Note 8 “Borrowings”), limits the dollar amount of stock that may be repurchased by the Company. As of September 30, 2002, the Company had repurchased 71 thousand common shares at prices ranging between $6.28 to $6.75 per share for a total cost of $0.5 million.

Note 4 – Sale of Facilities

On July 1, 2002, the Company sold the land and building related to one of its Bismarck, North Dakota facilities for $2.0 million cash, resulting in a pre-tax gain of $1.8 million. The net book value of the facilities of $1.7 million was offset by the related deferred grants of $1.5 million previously provided by the governmental agencies to assist in developing the facility. In addition, on September 30, 2002, the Company sold certain assets of its print facilities in Galashiels, Scotland having a net book value of $1.1 million for $0.9 million for which the Company received $0.2 million cash and a $0.7 million note receivable. The balance due under the note will be paid in varying monthly installments over a two-year period.

The net pre-tax gain on the sale of the Bismarck facility of $1.8 million less the net pre-tax loss on the sale of the print facilities in Galashiels of $0.2 million is included in “Gain on sale of facilities, net” in the accompanying 2002 Condensed Consolidated Statements of Operations.

Note 5 – Contingencies

A consolidated class action lawsuit against the Company is pending in the United States District Court for the Middle District of Florida, Tampa Division, captioned: *In re Sykes Enterprises, Inc. Securities Litigation* (hereinafter the “Class Action Litigation”). The plaintiffs purport to assert claims on behalf of a class of purchasers of the Company’s common stock during the period from July 27, 1998 through September 18, 2000. The consolidated action claims violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. Among other things, the consolidated action alleges that during 2000, 1999 and 1998, the Company and certain of its officers made materially false statements concerning the Company’s financial

Sykes Enterprises, Incorporated and Subsidiaries
Notes To Condensed Consolidated Financial Statements
Nine months ended September 30, 2002 and September 30, 2001
(Unaudited)

Note 5 – Contingencies (continued)

condition and its future prospects. The consolidated complaint also claims that certain of the Company's quarterly financial statements during 1999 and 1998 were not prepared in accordance with generally accepted accounting principles. The consolidated action seeks compensatory and other damages, and costs and expenses associated with the litigation. Although the Company denies the plaintiff's allegations and has defended the action vigorously, due to the extremely high costs and risks of litigation, as well as the drain on management time and attention, the Company has agreed to a settlement of the Class Action Litigation with the plaintiffs. The settlement, which remains subject to court approval, will result in a cash payment of approximately $30.0 million. Insurance amounts, after payment of litigation expenses, are expected to cover approximately $16.2 million of the settlement and the Company will pay the remaining amount of approximately $13.8 million. The Company recorded a $13.8 million charge for the uninsured portion of the Class Action Litigation settlement during the third quarter of 2002. Although the parties anticipate court approval of the settlement, such result is not assured. In the event the court does not approve the settlement, the settlement will be set aside and the Class Action Litigation will proceed. Should the Class Action Litigation proceed, the Company cannot predict the outcome or the impact this action may have on the Company. The outcome of this lawsuit or any future lawsuits, claims, or investigations relating to the same subject matter may have a material adverse impact on the Company's financial condition and results of operations.

Two shareholder derivative lawsuits have been filed in the Hillsborough County, Florida, Circuit Court against certain current and former members of the Company's board of directors and officers. These suits are captioned *Clarence S. Gurerra v. Sykes Enterprises, Incorporated, et. al.* , and *James Bunde v. Sykes Enterprises, Incorporated, et. al.* While the Company is a nominal defendant in these suits, both purportedly have been instituted by shareholders of the Company on the Company's behalf, and no damages or other relief are sought from the Company. Both suits allege breach of fiduciary duties and mismanagement by the defendant directors and officers arising out of the facts and circumstances alleged in the Class Action Litigation. The *Bunde* lawsuit also names Ernst & Young, LLP, the Company's former accountants, as a defendant and alleges breach of contract and negligence by Ernst & Young arising out of the facts and circumstances alleged in the Class Action Litigation. The suits seek, on behalf of the Company, disgorgement of profits allegedly made by certain officers and directors through the sale of Company stock while in possession of inside information and other unspecified damages and relief. The Board of Directors has established a Special Committee to investigate the allegations made in the derivative suits. A motion is presently pending in the *Gurerra* case to continue a stay of the proceedings pending the completion of an investigation of the claims made in the complaints by the Special Committee. The Company is in the process of obtaining a similar stay of proceedings in the *Bunde* case. The Special Committee completed its investigation relating to the Gurerra case in October 2002, and determined that the Gurerra case should be dismissed. The Company intends to file a motion with the court seeking to have that litigation terminated. There can be no assurance that such motion will be granted.

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 or results of operations.

Note 6 – Accumulated Other Comprehensive Income (Loss)

The Company presents data in the Condensed Consolidated Statements of Changes in Shareholders' Equity in accordance with SFAS No. 130, " *Reporting Comprehensive Income* ." SFAS No. 130 establishes rules for the reporting of comprehensive income and its components. Total comprehensive income (loss) was $(6.8) million and $4.3 million for the three months ended September 30, 2002 and 2001, respectively, and $5.4 million and $6.2 million for the nine months ended September 30, 2002 and 2001, respectively.

Sykes Enterprises, Incorporated and Subsidiaries
Notes To Condensed Consolidated Financial Statements
Nine months ended September 30, 2002 and September 30, 2001
(Unaudited)

Note 7 – Restructuring and Other Charges

2001 Charges

In December 2001, in response to the economic slowdown and increasing demand for the Company's offshore capabilities, the Company approved a cost reduction plan designed to improve efficiencies in its core business. As a result of the Company's cost reduction plan, the Company recorded $16.1 million in restructuring, other and impairment charges during the fourth quarter of 2001. This included $14.6 million in charges related to the closure and consolidation of two U.S. customer support centers, two U.S. technical staffing offices, one European fulfillment center, the elimination of redundant property leasehold improvements and equipment, and severance and related costs. In connection with the fourth quarter 2001 restructuring, the Company reduced the number of employees by 230 during the first quarter of 2002. The restructuring charge also included $1.4 million for future lease obligations related to closed facilities. The Company also recorded a $1.5 million impairment charge related to the write-off of certain non-performing assets, including software and equipment no longer used by the Company.

The following table summarizes the 2001 restructuring and other charges and related activity in 2002 (none for the comparable period in 2001) (in thousands):

Three Months ended September 30, 2002:	Balance at July 1, 2002	Cash Outlays	Other Non-Cash Changes	Balance at September 30, 2002
Severance and related costs	$ 514	$ (75)	$ —	$439 (1)
Lease termination costs	912	(821)	192 (3)	283 (2)
Total	$1,426	$(896)	$192	$722

Nine Months ended September 30, 2002:	Balance at January 1, 2002	Cash Outlays	Other Non-Cash Changes	Balance at September 30, 2002
Severance and related costs	$1,423	$ (984)	$ —	$439 (1)
Lease termination costs	1,355	(1,264)	192 (3)	283 (2)
Write-down of property, equipment, and capitalized costs	3,220	—	(3,220)	—
Other restructuring costs	292	(292)	—	—
Total	$6,290	$(2,540)	$(3,028)	$722

(1) Included in "Accrued employee compensation and benefits" in the accompanying Condensed Consolidated Balance Sheet.

(2) Included in "Other accrued expenses and current liabilities" in the accompanying Condensed Consolidated Balance Sheet.

(3) In the third quarter of 2002, the Company recorded $0.2 million in additional lease termination costs related to one of the European customer support centers.

2000 Charges

The Company recorded restructuring and other charges during the second and fourth quarters of 2000 approximating $30.5 million. The second quarter 2000 restructuring and other charges approximating $9.6 million resulted from the Company's consolidation of several European and one U.S. fulfillment center and the closing or consolidation of six professional services offices. Included in the second quarter 2000 restructuring and other charges was a $3.5 million lease termination payment related to the corporate aircraft. As a result of the second quarter 2000

Sykes Enterprises, Incorporated and Subsidiaries
Notes To Condensed Consolidated Financial Statements
Nine months ended September 30, 2002 and September 30, 2001
(Unaudited)

Note 7 – Restructuring and Other Charges (continued)

restructuring, the Company reduced the number of employees by 157 during 2000 and satisfied the remaining lease obligations related to the closed facilities during 2001.

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

The following tables summarize the 2000 accrual for restructuring and other charges and related activity in 2002 and 2001 (in thousands):

Three Months Ended September 30, 2002:	Balance at July 1, 2002	Cash Outlays	Other Non-Cash Changes	Balance at September 30, 2002
Severance and related costs	$1,194	$(185)	$214 (2)	$1,223 (1)

Three Months ended September 30, 2001:	Balance at July 1, 2001	Cash Outlays	Other Non-Cash Changes	Balance at September 30, 2001
Severance and related costs	$1,630	$ (32)	$—	$1,598
Lease termination costs	977	(496)	—	481
Total	$2,607	$(528)	$—	$2,079

Nine Months Ended September 30, 2002:	Balance at January 1, 2002	Cash Outlays	Other Non-Cash Changes	Balance at September 30, 2002
Severance and related costs	$1,485	$(476)	$214 (2)	$1,223 (1)
Lease termination costs	143	(143)	—	—
Total	$1,628	$(619)	$214	$1,223

Nine Months ended September 30, 2001:	Balance at January 1, 2001	Cash Outlays	Other Non-Cash Changes	Balance at September 30, 2001
Severance and related costs	$3,062	$(1,251)	$(213) (3)	$1,598
Lease termination costs	1,288	(807)	—	481
Other restructuring costs	718	(718)	—	—
Total	$5,068	$(2,776)	$(213)	$2,079

(1) Included in “Accrued employee compensation and benefits” in the accompanying Condensed Consolidated Balance Sheet.

(2) In the third quarter of 2002, the Company recorded $0.2 million in additional severance and related costs primarily due to delays in

closing its U.S. fulfillment center, which increased the cash outlay requirements for severance.

(3) In the second quarter of 2001, the Company reduced the original severance accrual $0.2 million for severance payments due to the Company's former President.

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Note 8 – Borrowings

The Company amended its revolving credit facility with a group of lenders (the "Amended Credit Facility"), effective as of September 30, 2002, as a result of a $13.8 million charge for the uninsured portion of the class action litigation settlement in the third quarter of 2002 (See Note 5 "Contingencies"). Pursuant to the terms of the Amended Credit Facility, the amount of the Company's revolving credit facility was reduced, at the request of the Company, from $60.0 million to a maximum of $40.0 million, subject to certain borrowing limitations. The $40.0 million revolving credit facility includes a $10.0 million swingline subfacility, a $15.0 million letter of credit subfacility and a $25.0 million multi-currency subfacility. Absent the amendment and even though there were no outstanding balances on the existing revolving credit facility, the Company would have been in violation of the fixed charge coverage ratio as defined in the existing revolving credit facility and the maximum judgment limitation of $5.0 million.

Borrowings under the Amended Credit Facility are restricted to 85% of eligible accounts receivable. Terms of the amendment increase the interest rate 25-basis points to 50-basis points depending on debt levels, reduce the maximum judgment limitation to $2.5 million (previously $5.0 million) and other unsecured indebtedness to $2.0 million (previously $10.0 million), require cash and cash equivalents of $40.0 million and minimum eligible accounts receivable of $23.8 million and further limit certain investments and capital expenditures.

The Amended Credit Facility, which is subject to certain financial covenants, may be used to provide for working capital and general corporate purposes and to fund future acquisitions. The Amended Credit Facility accrues interest, at the Company's option, at (a) the lender's base rate plus an applicable margin up to 1.5% (previously up to 1.0%), (b) the London Interbank Offered Rate ("LIBOR") plus an applicable margin up to 2.5% (previously up to 2.0%), or (c) the Interbank Offered Rate ("IBOR") plus an applicable margin up to 2.5% (previously up to 2.0%) that varies with the Company's debt levels and certain financial ratios. In addition, a commitment fee of up to 0.75% (previously up to 0.40%) is charged on the unused portion of the Amended Credit Facility on a quarterly basis. The borrowings under the Amended Credit Facility, which terminates May 31, 2005, are guaranteed by a pledge of all of the common stock of each of the Company's domestic material subsidiaries and 65% of the stock of each of the Company's direct foreign material subsidiaries. The Amended Credit Facility prohibits, without the consent of the lenders, the Company from incurring additional indebtedness, limits certain investment advances or loans and restricts substantial asset sales, capital expenditures, stock repurchases and dividends. There were no outstanding balances on the Amended Credit Facility as of September 30, 2002.

Note 9 – Income Taxes

The Company's effective tax rate was 34.0% and 30.0% for the nine months ended September 30, 2002 and 2001, respectively. The increase in the effective tax rate in 2002 compared to the same period last year is a result of shifts in the Company's actual and projected mix of earnings within tax jurisdictions and the tax benefits realized in 2001 associated with the implementation of findings from a strategic tax review initiated during the third quarter of 2001. The Company's effective tax rate differs from the statutory federal income tax rate primarily due to the effects of foreign, state and local income taxes, foreign income not subject to federal and state income taxes, valuations on net operating loss carryforwards and foreign asset basis step up, non-deductible intangibles and other permanent differences.

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

The Company is currently under examination by several states for sales and use taxes for a period covering November 1, 1996 through December 31, 2001 and for franchise tax for a period covering August 1, 1998 through

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Note 9 – Income Taxes (continued)

December 31, 2001. The German subsidiaries of the Company are under examination by the German tax authorities for a period covering January 1, 1997 through December 31, 2000. In the opinion of management, any liability that may arise from the prior periods as a result of these examinations is not expected to have a material effect on the Company’s financial condition, results of operations or cash flows.

Note 10 – Earnings Per Share

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Basic:				
Weighted average common shares outstanding	40,411	40,175	40,404	40,162
Diluted:				
Dilutive effect of stock options	—	345	—	267
Total weighted average diluted shares outstanding	40,411	40,520	40,404	40,429

Note 11 – Segment Reporting and Major Clients

The Company operates within two regions, the “Americas” and “EMEA”; and each region represents a reportable segment comprised of aggregated regional operating segments, which portray similar economic characteristics. The Company aligned its business into these two segments to more effectively manage the business and support the customer care needs of every client and in response to the changing demands of the Company’s global customers and the implementation of the customer centric model. The customer centric model reflects the philosophy throughout the organization and was formally implemented in connection with the Company’s continued efforts to concentrate resources on its core competencies and focus on the needs of its clients. The reportable segments consist of (1) the Americas, which includes the United States, Canada, Latin America and the Asia Pacific Rim, and provides customer outsourcing solutions (with an emphasis on technical support and customer service) and technical staffing and (2) EMEA. EMEA, which includes Europe, the Middle East and Africa, provides customer outsourcing solutions (with an emphasis on technical support and customer service) and fulfillment services. The Asia Pacific Rim is included in the Americas region given the nature of its business and client profile, which is primarily made up of companies in the United States that are using the Company’s offshore services to support their customer management needs.

Sykes Enterprises, Incorporated and Subsidiaries
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Nine months ended September 30, 2002 and September 30, 2001
(Unaudited)

Note 11 – Segment Reporting and Major Clients (continued)

Information about the Company’s reportable segments for the three and nine months ended September 30, 2002 compared to the corresponding prior year periods, as revised to reflect the change in segments to geographic regions in 2002, is as follows (in thousands):

	Americas	EMEA	Other (1)	Consolidated Total
Three Months Ended September 30, 2002:				
Revenue	$ 70,339	$ 39,319	$ —	$109,658
Depreciation and amortization	5,406	3,441	—	8,847
Income (loss) from operations	$ 4,232	$ (2,069)	$ —	$ 2,163
Other expense			(12,269)	(12,269)
Benefit for income taxes			(3,436)	(3,436)
Net loss				$ (6,670)
Three Months Ended September 30, 2001:				
Revenue	$ 75,398	$ 37,344	$ —	$112,742
Depreciation and amortization	6,157	2,138	—	8,295
Income (loss) from operations	$ (180)	$ 1,081	$ —	$ 901
Other income			139	139
Benefit for income taxes			(667)	(667)
Net income				$ 1,707
Nine Months Ended September 30, 2002:				
Revenue	$225,895	$113,335	$ —	$339,230
Depreciation and amortization	16,789	8,293	—	25,082
Income (loss) from operations	$ 12,891	$ (1,442)	$ —	$ 11,449
Other expense			(12,550)	(12,550)
Benefit for income taxes			(374)	(374)
Net loss				$ (727)
Nine Months Ended September 30, 2001:				
Revenue	$246,696 (2)	$129,719	$ —	$376,415
Depreciation and amortization	19,734	6,846	—	26,580
Income from operations	$ 7,541 (2)	$ 6,468	$ —	$ 14,009
Other expense			(63)	(63)
Provision for income taxes			4,189	4,189
Net income				$ 9,757

(1) Other items are shown for purposes of reconciling to the Company’s consolidated totals as shown in the table above for the three and nine months ended September 30, 2002 and 2001. The accounting policies of the reportable segments are the same as those described in Note 1 to the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2001. Inter-segment revenues are not material to the Americas and EMEA segment results. The Company evaluates the performance of its geographic segments based on revenue and income (loss) from operations, and does not include segment assets or other income and expense items for management reporting purposes.

(2) For the nine months ended September 30, 2001, the Americas’ revenue includes $0.8 million from U.S. fulfillment, a business the

Company exited in connection with the fourth quarter 2000 restructuring. Additionally, income from operations includes income of $0.1 million for the nine months ended September 30, 2001 from U.S. fulfillment. The Company continues to operate its European fulfillment business.

Sykes Enterprises, Incorporated and Subsidiaries
Notes To Condensed Consolidated Financial Statements
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(Unaudited)

Note 11 – Segment Reporting and Major Clients (continued)

The Americas' revenues include $21.2 million, or 19.3% of consolidated revenues, and $52.3 million, or 15.4% of consolidated revenues, for the three and nine months ended September 30, 2002, respectively, from a major provider of communications services. This compared to $11.4 million, or 10.1% of consolidated revenues, and $38.5 million, or 10.2% of consolidated revenues, for the three and nine months ended September 30, 2001, respectively.

In addition, revenues include $12.3 million, or 11.2% of consolidated revenues and $39.3 million, or 11.6% of consolidated revenues, for the three and nine months ended September 30, 2002, respectively, from a leading software and services provider. This includes $11.7 million in revenue from the Americas and $0.6 million in revenue from EMEA for the three months ended September 30, 2002 and $37.6 million in revenue from the Americas and $1.7 million in revenue from EMEA for the nine months ended September 30, 2002. In the comparable period last year, this provider represented $9.7 million, or 8.6% of consolidated revenues, and $33.0 million, or 8.8% of consolidated revenues, for the three and nine months ended September 30, 2001, respectively. This includes $9.1 million in revenue from the Americas and $0.6 million in revenue from EMEA for the three months ended September 30, 2001 and $30.9 million in revenue from the Americas and $2.1 million in revenue from EMEA for the nine months ended September 30, 2001.

Note 12 – Subsequent Event

In October 2002, the Company approved a restructuring plan to close several customer support centers in the United States and Europe and to write-off certain assets in response to changes in client business needs and the October 2002 notification of the contractual expiration of two technology client programs in March 2003 with approximate annual revenues of $25.0 million. The restructuring plan is designed to reduce costs and bring the Company's infrastructure in-line with the current business environment. Related to these actions, the Company expects to record non-recurring pre-tax charges in the fourth quarter of 2002 in the range of $19.0 million to $23.0 million primarily for the write-off of assets, lease termination costs and severance costs. The plan is expected to be completed by the fourth quarter of 2003.

In connection with the contractual expiration of the two technology client contracts referenced above, the Company will record additional depreciation expense of approximately $1.7 million in both the fourth quarter of 2002 and the first quarter of 2003 primarily related to a specialized technology platform, which will no longer be utilized upon the expiration of the contracts in March 2003.

INDEPENDENT ACCOUNTANTS' REPORT

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

We have reviewed the accompanying condensed consolidated balance sheet of Sykes Enterprises, Incorporated and subsidiaries (the "Company") as of September 30, 2002, the related condensed consolidated statements of operations for the three- and nine-month periods ended September 30, 2002 and 2001, of cash flows for the nine-month periods ended September 30, 2002 and 2001, and of shareholders' equity for the nine-month periods ended September 30, 2002 and 2001 and for the three-month period ended December 31, 2001. These financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of December 31, 2001, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended (not presented herein) and in our report dated February 14, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2001 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche
Certified Public Accountants

Tampa, Florida
October 28, 2002

Sykes Enterprises, Incorporated and Subsidiaries
Management's Discussion and Analysis of Financial Condition
and Results of Operations

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations.

This discussion should be read in conjunction with the condensed consolidated financial statements and notes included elsewhere in this report and in the Sykes Enterprises, Incorporated (the "Company" or "Sykes") Annual Report on Form 10-K for the year ended December 31, 2001 filed with the Securities and Exchange Commission.

Management's discussion and analysis may contain forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations, estimates, forecasts, and projections about the Company, management's beliefs, and assumptions made by management. In addition, other written or oral statements, which constitute forward-looking statements, may be made from time to time by or on behalf of Sykes. Words such as "believe," "estimate," "project," "expect," "intend," "may," "anticipate," "plans," "seeks," variations of such words, and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe the Company's future plans, objectives, or goals also are forward-looking statements. These statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including those discussed below and elsewhere in this report. The Company's actual results may differ materially from what is expressed or forecasted in such forward-looking statements, and undue reliance should not be placed on such statements. All forward-looking statements are made as of the date hereof, and Sykes undertakes no obligation to update any such forward-looking statements, whether as a result of new information, future events or otherwise.

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

Sykes Enterprises, Incorporated and Subsidiaries
Management's Discussion and Analysis of Financial Condition
and Results of Operations

Results of Operations

The following table sets forth, for the periods indicated, certain data derived from the Company's Condensed Consolidated Statements of Operations and certain of such data expressed as a percentage of revenues:

(in thousands except percentage amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenues	$109,658	$112,742	$339,230	$376,415
Direct salaries and related costs	69,910	71,323	212,788	238,448
Percentage of revenues	63.7%	63.3%	62.7%	63.4%
General and administrative expenses	37,585	40,518	114,993	123,958
Percentage of revenues	34.3%	35.9%	33.9%	32.9%
Income from operations	2,163	901	11,449	14,009
Percentage of revenues	2.0%	0.8%	3.4%	3.7%

The following table summarizes the Company's revenues, for the periods indicated, by geographic region (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenues:				
Americas	$ 70,339	$ 75,399	$225,895	$246,696
EMEA	39,319	37,343	113,335	129,719
Consolidated	$109,658	$112,742	$339,230	$376,415

Three Months Ended September 30, 2002 Compared to Three Months Ended September 30, 2001

Revenues

For the three months ended September 30, 2002, the Company recorded consolidated revenues of $109.7 million, a decrease of $3.0 million or 2.7% from $112.7 million in consolidated revenues for the comparable 2001 period.

On a geographic segmentation, revenues from the Company's Americas region, including the United States, Canada, Latin America and the Asia Pacific Rim, represented 64.1%, or $70.3 million for the three months ended September 30, 2002 compared to 66.9%, or $75.4 million, for the comparable 2001 period. Revenues from the Company's EMEA region, including Europe, the Middle East and Africa, represented 35.9%, or $39.4 million for the three months ended September 30, 2002 compared to 33.1%, or $37.3 million for the comparable 2001 period.

Sykes Enterprises, Incorporated and Subsidiaries
Management's Discussion and Analysis of Financial Condition
and Results of Operations

Results of Operations (continued)

Revenues (continued)

The decrease in Americas' revenue of $5.1 million, or 6.7%, for the three months ended September 30, 2002 was primarily attributable to the overall reduction in client call volumes resulting from the economic downturn and the phasing out of an original equipment manufacturer ("OEM") technology client on June 1, 2002. This decrease was partially offset by an increase in revenues from the Company's offshore operations, including the Asia Pacific and Costa Rica regions. These offshore regions represented 9.4% of consolidated revenues for the three months ended September 30, 2002 compared to 5.8% for the comparable 2001 period. As the Company's offshore business grows and becomes a larger percentage of revenues, the Company's total revenue and revenue growth rate may decline since the average revenue per seat generated offshore is less than it is in the United States and Europe. Although the average offshore revenue per seat is less than it is in the United States and Europe, the lower average revenue is generally offset by higher operating margins in the offshore regions.

The increase in EMEA's revenue of $2.1 million, or 5.3%, for the three months ended September 30, 2002 was primarily related to the strengthening Euro, which positively impacted revenues for the three months ended September 30, 2002 by approximately $3.5 million compared to the Euro in the comparable 2001 period. Without this foreign currency benefit, EMEA's revenues would have declined $1.4 million compared with last year due to the continued softness in the worldwide economy.

Direct Salaries and Related Costs

Direct salaries and related costs decreased $1.4 million or 2.0% to $69.9 million for the three months ended September 30, 2002, from $71.3 million in 2001. As a percentage of revenues, direct salaries and related costs increased to 63.7% in 2002 from 63.3% for the comparable 2001 period. This increase was primarily attributable to an increase in staffing costs to meet anticipated call volumes, which exceeded actual call volumes for the third quarter of 2002.

General and Administrative

General and administrative expenses decreased $2.9 million or 7.2% to $37.6 million for the three months ended September 30, 2002, from $40.5 million in 2001. As a percentage of revenues, general and administrative expenses decreased to 34.3% in 2002 from 35.9% for the comparable 2001 period primarily due to the Company's focused efforts to control and reduce costs, a reduction in professional fees as well as reductions in certain administrative and operations personnel related to the realignment into a customer centric organization in the fourth quarter of 2001. The decrease in the dollar amount of general and administrative expenses was principally attributable to a decrease in professional fees related to a strategic tax review initiative in the third quarter of 2001 which did not recur in 2002 and an overall reduction in the use of outside consultants in 2002, lower salaries from personnel reductions and lower depreciation partially offset by higher lease costs from expansion of offshore operations. Although the strengthening Euro positively impacted revenues, it negatively impacted the general and administrative expenses for the three months ended September 30, 2002 by approximately $1.5 million compared to the Euro in the comparable 2001 period.

Other Income and Expense

Other expense was $12.2 million during the three months ended September 30, 2002, compared to other income of $0.1 million during the comparable 2001 period. This increase of $12.3 million in other expense was primarily attributable to a $13.8 million charge for the uninsured portion of the class action litigation settlement offset by a $1.6 million net gain on sale of the Company's Bismarck, North Dakota facility and certain assets of the print facilities in Galashiels, Scotland. As previously mentioned, during the third quarter of 2002, the Company reached a settlement agreement with respect to the class action suits filed against the Company in 2000. The settlement, which is subject to court

Sykes Enterprises, Incorporated and Subsidiaries
Management's Discussion and Analysis of Financial Condition
and Results of Operations

Results of Operations (continued)

Other Income and Expense (continued)

approval, will result in a payment of $30.0 million. Insurance amounts after payment of litigation expenses will cover approximately $16.2 million of the settlement.

Provision (Benefit) for Income Taxes

The benefit for income taxes increased $2.7 million to $3.4 million for the three months ended September 30, 2002 from $0.7 million for the comparable 2001 period. This increase was primarily attributable to the increase in the loss for the three months ended September 30, 2002 and an increase in the effective tax rate as the result of shifts in the Company's mix of earnings within tax jurisdictions and the tax benefits realized in 2001 associated with the implementation of findings from a strategic tax review initiated during the third quarter of 2001. The effective tax rate was 34.0% for the three months ended September 30, 2002 and 32.0% for the comparable 2001 period, taking into consideration the aforementioned tax benefits realized in 2001. The effective tax rate differs from the statutory federal income tax rate primarily due to the effects of foreign, state and local income taxes, foreign income not subject to federal and state income taxes, valuations on net operating loss carryforwards and foreign asset basis step-up, non-deductible intangibles and other permanent differences. The Company currently anticipates an overall effective tax rate of 34.0% for the year 2002.

Net Income (Loss)

As a result of the foregoing, income from operations for the three months ended September 30, 2002 increased $1.3 million to $2.2 million or 2.0% of revenues compared to 0.8% of revenues for the comparable 2001 period. This increase is principally attributable to a $2.9 million decrease in general and administrative costs as previously discussed partially offset by higher direct costs as a percentage of revenues and lower revenues in the third quarter of 2002 compared to 2001. The $1.3 million higher income from operations, the $1.6 million net gain on sale of facilities and the $2.7 million higher tax benefit was offset by the $13.8 million litigation settlement and $0.2 million higher other expense resulting in $8.4 million lower net income for the third quarter of 2002 compared to 2001.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001

Revenues

For the nine months ended September 30, 2002, the Company recorded consolidated revenues of $339.2 million, a decrease of $37.2 million or 9.9% from $376.4 million of consolidated revenues for the comparable 2001 period. Exclusive of the remaining results of operations from those businesses the Company exited in connection with the fourth quarter 2000 restructuring, including U.S. fulfillment and distribution operations, revenues decreased $36.5 million or 9.7% for the nine months ended September 30, 2002, from $375.7 million for the comparable 2001 period.

On a geographic segmentation, revenues from the Company's Americas region, including the United States, Canada, Latin America and the Asia Pacific Rim, represented 66.6%, or $225.9 million for the nine months ended September 30, 2002 compared to 65.5%, or $246.0 million, exclusive of U.S. fulfillment and distribution operations, for the comparable 2001 period. Revenues from the Company's EMEA region, including Europe, the Middle East and Africa, represented 33.4%, or $113.3 million for the nine months ended September 30, 2002 compared to 34.5%, or $129.7 million for the comparable 2001 period.

The decrease in Americas' revenue of $20.8 million, or 8.4%, for the nine months ended September 30, 2002 was primarily attributable to the overall reduction in client call volumes resulting from the economic downturn and the phasing out of an original equipment manufacturer ("OEM") technology client on June 1, 2002. This decrease was

Sykes Enterprises, Incorporated and Subsidiaries
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Results of Operations (continued)

Revenues (continued)

partially offset by an increase in revenues from new clients as well as from the Company's offshore operations, including the Asia Pacific and Costa Rica regions. These offshore regions represented over 8.6% of consolidated revenues for the nine months ended September 30, 2002 compared to 5.0% for the comparable 2001 period, exclusive of U.S. fulfillment and distribution operations. As the Company's offshore business grows and becomes a larger percentage of revenues, the Company's total revenue and revenue growth rate may decline since the average revenue per seat generated offshore is less than it is in the United States and Europe. Although the average offshore revenue per seat is less than it is in the United States and Europe, the lower average revenue is generally offset by higher operating margins in the offshore regions.

The decrease in EMEA's revenue of $16.4 million, or 12.6%, for the nine months ended September 30, 2002 was primarily related to the loss of a dot.com client that filed for bankruptcy in 2001 as well as a decline in client volumes affected by the economic downturn in both customer support and fulfillment services. This decrease was partially offset by the strengthening Euro, which positively impacted revenues for the nine months ended September 30, 2002 by approximately $3.5 million compared to the Euro in the comparable 2001 period.

Direct Salaries and Related Costs

Direct salaries and related costs decreased $25.7 million or 10.8% to $212.8 million for the nine months ended September 30, 2002, from $238.5 million in 2001. As a percentage of revenues, direct salaries and related costs decreased to 62.7% in 2002 from 63.4% for the comparable 2001 period. The decrease was primarily attributable to shifts in the Company's geographic revenue mix and better operating efficiencies as well as the Company's realignment into a customer centric organization, which reduces management costs. Exclusive of U.S. fulfillment operations, direct salaries and related costs, as a percentage of revenues, remained unchanged at 63.4% for the nine months ended September 30, 2001.

General and Administrative

General and administrative expenses decreased $9.0 million or 7.2% to $115.0 million for the nine months ended September 30, 2002, from $124.0 million in 2001. As a percentage of revenues, general and administrative expenses increased to 33.9% in 2002 from 32.9% for the comparable 2001 period. The decrease in the dollar amount of general and administrative expenses was attributable to a $4.3 million decrease in salaries and benefits related to reductions in certain administrative and operating personnel, a $2.7 million decrease in depreciation related principally to the Company's elimination of certain under-performing operations and goodwill amortization, a $1.7 million decrease in telephone costs, a $0.4 million decrease in general and administrative expenses associated with U.S. fulfillment operations eliminated in 2001, a $0.7 million decrease in bad debt expense and a $3.4 million decrease in other general and administrative expenses. These decreases were partially offset by a $4.2 million increase in rent, equipment rental and utilities costs, principally related to offshore expansion and new sites in Italy and Spain. Although the strengthening Euro positively impacted revenues, it negatively impacted the general and administrative expenses for the nine months ended September 30, 2002 by approximately $3.5 million compared to the Euro in the comparable 2001 period.

Other Income and Expense

Other expense was $12.6 million during the nine months ended September 30, 2002, compared to $0.1 million during the comparable 2001 period. This increase of $12.5 million in other expense was primarily attributable to a $13.8 million charge for the uninsured portion of the class action litigation settlement offset by a $1.6 million net gain on sale of facilities.

Sykes Enterprises, Incorporated and Subsidiaries
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Results of Operations (continued)

Provision (Benefit) for Income Taxes

The provision (benefit) for income taxes decreased $4.6 million to $(0.4) million for the nine months ended September 30, 2002 from $4.2 million for the comparable 2001 period. This decrease was primarily attributable to the decrease in income for the nine months ended September 30, 2002 and an increase in the effective tax rate as the result of shifts in the Company's mix of earnings within tax jurisdictions and the tax benefits associated with the implementation of findings from a strategic tax review initiated during 2001. The effective tax rate was 34.0% for the nine months ended September 30, 2002 and 30.0% for the comparable 2001 period. The effective tax rate differs from the statutory federal income tax rate primarily due to the effects of foreign, state and local income taxes, foreign income not subject to federal and state income taxes, valuations on net operating loss carryforwards and foreign asset basis step-up, non-deductible intangibles and other permanent differences.

Net Income (Loss)

As a result of the foregoing, income from operations for the nine months ended September 30, 2002 decreased $2.6 million to $11.5 million or 3.4% of revenues compared to 3.7% of revenues for the comparable 2001 period. This decrease is principally attributable to a $37.2 million decrease in revenues offset by a $25.7 million decrease in direct salaries and related costs and a $9.0 million decrease in general and administrative costs as previously discussed. The $2.6 million lower income from operations, the $13.8 million litigation settlement and $0.3 million higher other expense was offset by the $1.6 million net gain on sale of facilities and the $4.6 million higher tax benefit resulting in $10.5 million lower net income for the nine months ended September 30, 2002 compared to 2001.

Liquidity and Capital Resources

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

During the fourth quarter of 2002, the Company expects to pay approximately $13.8 million for the uninsured portion of the class action litigation settlement and will begin to pay approximately $10.0 million to $12.0 million through the first half of 2003 in connection with the 2002 restructuring plan to close several customer support centers in the United States and Europe. It may also use its capital resources to fund possible acquisitions and repurchase its common stock in the open market. On August 5, 2002, the Company announced that its Board of Directors authorized the Company to repurchase up to three million shares of the Company's outstanding common stock. The shares of common stock will be purchased, from time to time, through open market purchases or in negotiated private transactions, and the purchases will be based on factors, including but not limited to, the stock price and general market conditions. The amendment to the Company's revolving credit facility, which was effective as of September 30, 2002 (see Note 8 "Borrowings"), limits the dollar amount of stock that may be repurchased by the Company. At September 30, 2002, the Company had repurchased 71 thousand common shares at prices ranging from $6.28 to $6.75 per share for a total cost of $0.5 million.

In the nine months ended September 30, 2002, the Company generated $53.4 million in cash from operating activities and $2.2 million in funds from the sale of facilities, property and equipment to provide a $41.1 million increase in available cash (net of the effects of international currency exchange rates on cash of $3.0 million), used $15.9 million in funds for investments in capital expenditures and $1.9 million for acquisition of intangible assets and purchased $0.5 million in stock in the open market.

Net cash flows provided by operating activities for the nine months ended September 30, 2002 were $53.4 million compared to $53.5 million for the comparable 2001 period. The $0.1 million decrease in net cash flows provided by operating activities was due to a decrease in net income of $10.5 million offset by a net increase in non-cash

Results of Operations (continued)

Liquidity and Capital Resources (continued)

expenses of $6.4 million and a net increase in assets and liabilities of $4.0 million. The net increase in assets and liabilities of $4.0 million was due to an increase in deferred revenue of $0.2 million and an increase in accounts payable and other accrued accounts of $32.0 million offset by a $28.2 million decrease in receivables. This decrease in receivables was primarily due to a decrease in revenues and concentrated efforts to reduce trade days sales outstanding.

Capital expenditures, which are generally funded by cash generated from operating activities and borrowings available under its credit facilities, were $15.9 million for the nine months ended September 30, 2002 compared to $25.7 million for the nine months ended September 30, 2001, a decline of $9.8 million. In the nine months ended September 30, 2002, approximately 83.0% of the capital expenditures were the result of investing in new and existing technical and customer support centers, primarily offshore, and 17.0% was expended primarily for systems infrastructure. In 2002, the Company anticipates capital expenditures in the range of $21.0 million to $24.0 million.

The primary sources of cash flows from financing activities are from borrowings under the Company's credit facility. The Company amended its revolving credit facility with a group of lenders (the "Amended Credit Facility"), effective as of September 30, 2002, as a result of a $13.8 million charge for the uninsured portion of the class action litigation settlement in the third quarter of 2002 (see Note 5 "Contingencies"). Pursuant to the terms of the Amended Credit Facility, the amount of the Company's revolving credit facility was reduced, at the request of the Company, from $60.0 million to a maximum of $40.0 million, subject to certain borrowing limitations. The $40.0 million revolving credit facility includes a $10.0 million swingline subfacility, a $15.0 million letter of credit subfacility and a $25.0 million multi-currency subfacility. Absent the amendment and even though there were no outstanding balances on the existing revolving credit facility, the Company would have been in violation of the fixed charge coverage ratio as defined in the existing revolving credit facility and the maximum judgment limitation of $5.0 million.

Borrowings under the Amended Credit Facility are restricted to 85% of eligible accounts receivable. Terms of the amendment increase the interest rate 25-basis points to 50-basis points depending on debt levels, reduce the maximum judgment limitation to $2.5 million (previously $5.0 million) and other unsecured indebtedness to $2.0 million (previously $10.0 million), require cash and cash equivalents of $40.0 million and minimum eligible accounts receivable of $23.8 million and further limit certain investments and capital expenditures.

The Amended Credit Facility, which is subject to certain financial covenants, may be used to provide for working capital and general corporate purposes and to fund future acquisitions. The Amended Credit Facility accrues interest, at the Company's option, at (a) the lender's base rate plus an applicable margin up to 1.5% (previously up to 1.0%), (b) the London Interbank Offered Rate ("LIBOR") plus an applicable margin up to 2.5% (previously up to 2.0%), or (c) the Interbank Offered Rate ("IBOR") plus an applicable margin up to 2.5% (previously up to 2.0%) that varies with the Company's debt levels and certain financial ratios. In addition, a commitment fee of up to 0.75% (previously up to 0.40%) is charged on the unused portion of the Amended Credit Facility on a quarterly basis. The borrowings under the Amended Credit Facility, which terminates May 31, 2005, are guaranteed by a pledge of all of the common stock of each of the Company's domestic material subsidiaries and 65% of the stock of each of the Company's direct foreign material subsidiaries. The Amended Credit Facility prohibits, without the consent of the lenders, the Company from incurring additional indebtedness, limits certain investment advances or loans and restricts substantial asset sales, capital expenditures, stock repurchases and dividends. There were no outstanding balances on the Amended Credit Facility as of September 30, 2002. At September 30, 2002, the Company was in compliance with all loan requirements of the Amended Credit Facility. At September 30, 2002, the Company had $91.1 million in cash and approximately $24.7 million of availability under its Amended Credit Facility. Approximately $62.0 million of the Company's cash balances are held in international operations and may be subject to additional taxes if repatriated to the United States.

Results of Operations (continued)

Liquidity and Capital Resources (continued)

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

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

The Company believes the following accounting policies are the most critical since these policies require significant judgment or involve complex estimations that are important to the portrayal of the Company's financial condition and operating results:

- The Company recognizes revenue associated with the grants of land and the cash grants for the acquisition of property, buildings and equipment for customer support centers over the corresponding useful lives of the related assets. Should the useful lives of these assets change for reasons such as the sale or disposal of the property, the amount of revenue recognized would be adjusted accordingly.

- The Company recognizes revenue as work progresses on fixed price contracts using the percentage-of-completion method of accounting, which relies on estimates of total expected revenue and related costs. Revisions to these estimates, which could result in adjustments to fixed price contracts and estimated losses, would be recorded in the period when such adjustments or losses are known.

- The Company maintains allowances for doubtful accounts for estimated losses arising from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in a reduced ability to make payments, additional allowances may be required which would reduce income.

- The Company records valuation allowances to reduce the deferred tax assets to the amount that is more likely than not to be recognized. While the Company considers taxable income in assessing the need for a valuation allowance, in the event the Company determines it would be able to realize its deferred tax assets in the future in excess of the net recorded amount, an adjustment would be made and income increased in the period of such determination. Likewise, in the event the Company determines it would not be able to realize all or part of its deferred tax assets in the future, an adjustment would be made and charged against income in the period of such determination.

- The Company holds a minority interest in SHPS, Incorporated as a result of the sale of a 93.5% ownership interest in June 2000. If the Company believes the investment has experienced a decline in value that is other than temporary, the Company would record an impairment charge or loss. Future adverse changes in market conditions or poor operating results of the underlying investment could result in losses or an inability to recover the carrying value of the investment that may not be reflected therein; and therefore, might require the Company to record an impairment charge in the future.

- The Company reviews long-lived assets, including goodwill and certain identifiable intangibles, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

Results of Operations (continued)

Critical Accounting Policies and Estimates (continued)

Upon determination that the carrying value of the asset is impaired, the Company would record an impairment charge or loss. Future adverse changes in market conditions or poor operating results of the underlying investment could result in losses or an inability to recover the carrying value of the investment that may not be reflected therein; and therefore, might require the Company to record an impairment charge in the future.

- Self-insurance related liabilities include estimates for, among other things, projected settlements for known and anticipated claims for worker's compensation and employee health insurance. Key variables in determining such estimates include past claims history, number of covered employees and projected future claims. The Company periodically evaluates and, if necessary, adjusts the estimates based on information currently available. Revisions to these estimates, which could result in adjustments to the liability and additional charges, would be recorded in the period when such adjustments or charges are known.

Recent Accounting Pronouncements

In April 2002, the FASB issued SFAS No. 145, " *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* ." Among other provisions, SFAS No. 145 rescinds SFAS 4 "Reporting Gains and Losses from Extinguishment of Debt." Accordingly, gains or losses from extinguishment of debt will no longer be reported as extraordinary items unless the extinguishment qualifies as an extraordinary item under the criteria of Accounting Principles Board ("APB") Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." Gains or losses from extinguishment of debt that do not meet the criteria of APB 30 will be reclassified to income from continuing operations in all prior periods presented. The provisions of SFAS No. 145 will be effective for the quarter ending March 31, 2003. Upon adoption, the Company does not expect the adoption of this standard to have a material effect on its results of operations.

In July 2002, the FASB issued SFAS No. 146, " *Accounting for Costs Associated with Exit or Disposal Activities* ," which changes the accounting for costs such as lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, facilities closing, or other exit or disposal activity initiated after December 31, 2002. The standard requires companies to recognize the fair value of costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 will be applied prospectively to exit or disposal activities that are initiated after December 31, 2002.

Item 3 — Quantitative and Qualitative Disclosure About Market Risk

Foreign Currency and Interest Rate Risk

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

Sykes Enterprises, Incorporated and Subsidiaries
Management's Discussion and Analysis of Financial Condition
and Results of Operations

Item 3 — Quantitative and Qualitative Disclosure About Market Risk (continued)

Foreign Currency and Interest Rate Risk (continued)

While the Company had no debt outstanding at variable interest rates during the nine months ended September 30, 2002, the Company has not historically used derivative instruments to manage its exposure to changes in interest rates.

Fluctuations in Quarterly Results

For the year ended December 31, 2001, quarterly revenues as a percentage of total annual revenues were approximately 28%, 25%, 23% and 24%, respectively, for each of the respective quarters of the year. The Company has experienced and anticipates that in the future it will continue to experience variations in quarterly revenues. The variations are due to the timing of new contracts and renewal of existing contracts, the timing of the expenses incurred to support new business, the timing and frequency of client spending for e-commerce and e-business activities, non-U.S. currency fluctuations, and the seasonal pattern of technical and customer support, and fulfillment services.

Item 4 — Controls and Procedures

Within 90 days prior to the date of this report, the Company, under the supervision and with the participation of its principal executive officer and principal financial officer, carried out an evaluation of the effectiveness of the design and operation of the disclosure controls and procedures of the Company. Based on this evaluation, the principal executive officer and principal financial officer concluded that the disclosure controls and procedures are alerting them in a timely manner to material information required to be included in the Company's periodic Securities and Exchange Commission reports. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Since the date of this evaluation, there have not been any significant changes in the internal controls of the Company, or in other factors that could significantly affect these controls subsequent to the evaluation date.

Sykes Enterprises, Incorporated and Subsidiaries
Form 10-Q
For the Quarter Ended September 30, 2002

Part II – OTHER INFORMATION.

Item 1 – Legal Proceedings.

A. Class Action Litigation.

A consolidated class action lawsuit against the Company is pending in the United States District Court for the Middle District of Florida, Tampa Division, captioned: *In re Sykes Enterprises, Inc. Securities Litigation* (hereinafter the "Class Action Litigation"). The plaintiffs purport to assert claims on behalf of a class of purchasers of the Company's common stock during the period from July 27, 1998 through September 18, 2000. The consolidated action claims violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. Among other things, the consolidated action alleges that during 2000, 1999 and 1998, the Company and certain of its officers made materially false statements concerning the Company's financial condition and its future prospects. The consolidated complaint also claims that certain of the Company's quarterly financial statements during 1999 and 1998 were not prepared in accordance with generally accepted accounting principles. The consolidated action seeks compensatory and other damages, and costs and expenses associated with the litigation. Although the Company denies the plaintiff's allegations and has defended the action vigorously, due to the extremely high costs and risks of litigation, as well as the drain on management time and attention, the Company has agreed to a settlement of the Class Action Litigation with the plaintiffs. The settlement, which remains subject to court approval, will result in a cash payment of approximately $30.0 million. Insurance amounts, after payment of litigation expenses, are expected to cover approximately $16.2 million of the settlement and the Company will pay the remaining amount of approximately $13.8 million. The Company recorded a $13.8 million charge for the uninsured portion of the Class Action Litigation settlement during the third quarter of 2002. Although the parties anticipate court approval of the settlement, such result is not assured. In the event the court does not approve the settlement, the settlement will be set aside and the Class Action Litigation will proceed. Should the Class Action Litigation proceed, the Company cannot predict the outcome or the impact this action may have on the Company. The outcome of this lawsuit or any future lawsuits, claims, or investigations relating to the same subject matter may have a material adverse impact on the Company's financial condition and results of operations.

Two shareholder derivative lawsuits have been filed in the Hillsborough County, Florida, Circuit Court against certain current and former members of the Company's board of directors and officers. These suits are captioned *Clarence S. Gurerra v. Sykes Enterprises, Incorporated, et. al.* , and *James Bunde v. Sykes Enterprises, Incorporated, et. al.* While the Company is a nominal defendant in these suits, both purportedly have been instituted by shareholders of the Company on the Company's behalf, and no damages or other relief are sought from the Company. Both suits allege breach of fiduciary duties and mismanagement by the defendant directors and officers arising out of the facts and circumstances alleged in the Class Action Litigation. The *Bunde* lawsuit also names Ernst & Young, LLP, the Company's former accountants, as a defendant and alleges breach of contract and negligence by Ernst & Young arising out of the facts and circumstances alleged in the Class Action Litigation. The suits seek, on behalf of the Company, disgorgement of profits allegedly made by certain officers and directors through the sale of Company stock while in possession of inside information and other unspecified damages and relief. The Board of Directors has established a Special Committee to investigate the allegations made in the derivative suits. A motion is presently pending in the *Gurerra* case to continue a stay of the proceedings pending the completion of an investigation of the claims made in the complaints by the Special Committee. The Company is in the process of obtaining a similar stay of proceedings in the *Bunde* case. The Special Committee completed its investigation relating to the Gurerra case in October 2002, and determined that the Gurerra case should be dismissed. The Company intends to file a motion with the court seeking to have that litigation terminated. There can be no assurance that such motion will be granted.

B. Other Litigation.

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

Sykes Enterprises, Incorporated and Subsidiaries
Form 10-Q
For the Quarter Ended September 30, 2002

Item 6 – Exhibits and Reports on Form 8-K.

(a) Exhibits

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

10.54	Amendment No. 1 to Revolving Credit Agreement without exhibits between Sun Trust, Wachovia and BNP Paribas and Sykes Enterprises, Incorporated dated as of September 30, 2002.
15	Letter regarding unaudited interim financial information.
99.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. §1350.
99.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. §1350.

(b) Reports on Form 8-K

Registrant filed a current report on Form 8-K, dated August 5, 2002, with the Securities and Exchange Commission on August 6, 2002, which announced that its Board of Directors authorized the Registrant to repurchase up to three million shares of its outstanding common stock.

Sykes Enterprises, Incorporated and Subsidiaries
Form 10-Q
For the Quarter Ended September 30, 2002

SIGNATURES

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

SYKES ENTERPRISES, INCORPORATED
(Registrant)

Date: November 14, 2002

By: /s/ W. Michael Kipphut

W. Michael Kipphut
Group Executive, Senior Vice President – Finance
(Principal Financial and Accounting Officer)

Sykes Enterprises, Incorporated and Subsidiaries
Form 10-Q
For the Quarter Ended September 30, 2002

CERTIFICATIONS

I, John H. Sykes, Chairman and Chief Executive Officer of Sykes Enterprises, Incorporated, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sykes Enterprises, Incorporated;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have

    a.) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b.) evaluated the effectiveness of the registrant’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the “Evaluation Date”); and

    c.) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

    a.) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and

    b.) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls; and

6. The registrant’s other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ John H. Sykes

John H. Sykes, Chairman and Chief Executive Officer
(Principal Executive Officer)

Sykes Enterprises, Incorporated and Subsidiaries
Form 10-Q
For the Quarter Ended September 30, 2002

CERTIFICATIONS

I, W. Michael Kipphut, Group Executive, Senior Vice President – Finance of Sykes Enterprises, Incorporated, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sykes Enterprises, Incorporated;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have

   a.) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b.) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c.) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a.) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b.) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ W. Michael Kipphut

W. Michael Kipphut
Group Executive, Senior Vice President - Finance
(Principal Financial and Accounting Officer)

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EXHIBIT INDEX

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99.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. §1350.
99.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. §1350.

EXHIBIT 10.54

AMENDMENT NO. 1
TO
REVOLVING CREDIT AGREEMENT

THIS AMENDMENT NO. 1 TO REVOLVING CREDIT AGREEMENT (this "Amendment") is made and effective as of September 30, 2002, by and among SYKES ENTERPRISES, INCORPORATED, a Florida corporation (the "Borrower"), the several banks and other financial institutions from time to time party hereto (the "Lenders"), and SUNTRUST BANK, in its capacity as Administrative Agent for the Lenders (the "Administrative Agent") and in its capacity as Collateral Agent for the Lenders (the "Collateral Agent").

W I T N E S S E T H:

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to that certain Revolving Credit Agreement, dated as of April 5, 2002 (the "Existing Credit Agreement"), pursuant to which the Lenders have agreed to establish for the Borrower a revolving credit facility in the aggregate principal amount of $60,000,000, with a letter of credit subfacility in the aggregate principal amount of up to $15,000,000 and a swingline subfacility in the aggregate principal amount of up to $10,000,000 thereunder, all upon the terms and subject to the conditions specified in the Existing Credit Agreement; and

WHEREAS, the Lenders have agreed that a portion of such revolving credit facility and such letter of credit subfacility may be made and issued in certain currencies other than U.S. dollars in an aggregate principal amount of up to the U.S. dollar equivalent of $25,000,000; and

WHEREAS, upon request of the Borrower, the Lenders and the Administrative Agent have agreed to modify and amend the Existing Credit Agreement as set forth herein including, without limitation, decreasing the amount of the revolving credit facility to $40,000,000.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the Borrower, the Lenders and the Administrative Agent agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 CERTAIN DEFINITIONS. Unless otherwise defined herein or the context otherwise requires, the following terms as used in this Amendment, including the preamble and recitals, have the meanings set forth below:

"AMENDED CREDIT AGREEMENT" shall mean the Existing Credit Agreement, as amended hereby.

"AMENDMENT NO. 1 EFFECTIVE DATE" shall have the meaning assigned to such term in Article III.

SECTION 1.2 OTHER DEFINITIONS. Unless otherwise defined herein, capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Existing Credit Agreement.

ARTICLE II

AMENDMENTS TO EXISTING AGREEMENT

SECTION 2.1 AMENDMENTS TO ARTICLE I - DEFINITIONS; CONSTRUCTIONS. As of the Amendment No. 1 Effective Date, the Existing Credit Agreement is hereby amended as follows:

(a) The terms "Aggregate Revolving Commitments," "Applicable Margin," "Applicable Percentage," "Consolidated EBIT," "Consolidated Fixed Charges," "Fixed Charge Coverage Ratio," "Loan Documents," "Net Cash Proceeds" and "Revolving Commitment" of "ARTICLE I - DEFINITIONS; CONSTRUCTION" of the Existing Credit Agreement are hereby deleted in their entirety and the following new terms are inserted in their respective places:

"AGGREGATE REVOLVING COMMITMENTS" shall mean the sum of the Revolving Commitments of all Lenders at any time outstanding. The Aggregate Revolving Commitments shall not exceed the U.S. Dollar Equivalent of $40,000,000.

"APPLICABLE MARGIN" shall mean, as of any date, with respect to all Eurocurrency Borrowings and Base Rate Borrowings outstanding on such date, the percentage per annum designated in the "Pricing Grid" attached hereto as Schedule I as applicable to Eurocurrency Borrowings or Base Rate Borrowings, as the case may be, based on the Leverage Ratio. As of the Amendment No. 1 Effective Date through and including the Borrower's fiscal quarter ending December 31, 2003, the Applicable Margin for Eurocurrency Borrowings shall be 2.50% and the Applicable Margin for Base Rate Borrowings shall be 1.50%; provided, however, if the Borrower and its Subsidiaries on a consolidated basis have a Fixed Charge Coverage Ratio in excess of 1.40:1.00 at the end of any two consecutive fiscal quarters of the Borrower ending on or after September 30, 2003, as determined based on the Borrower's financial statements delivered to the Administrative Agent in accordance with Section 5.1(a) and (b) and the Covenant Compliance Certificate delivered to the Administrative Agent in accordance with Section 5.1(f), the Applicable Margin shall be reset to the percentage designated in Schedule I based on the Leverage Ratio as of the last day of such second consecutive fiscal quarter then ended, such Applicable Margin being effective as of the second Business Day following the date that the Administrative Agent receives such financial statements and certificate; and provided further, however, that if at any time the Borrower shall have failed to deliver to the Administrative Agent the Borrower's financial statements required by Section 5.1(a) and (b) and the Covenant Compliance Certificate required by Section 5.1(f) when due, the Applicable Margin shall be at Level III until such time as such financial statements and certificate are delivered, at which time the Applicable Margin shall be determined as provided above.

"APPLICABLE PERCENTAGE" shall mean, as of any date, with respect to the commitment fee, the percentage per annum designated in the "Pricing Grid" attached hereto as Schedule I based on the Leverage Ratio. As of the Amendment No. 1 Effective Date through and including the Borrower's fiscal quarter ending December 31, 2003, the Applicable Percentage shall be 0.75%; provided, however, if the Borrower and its Subsidiaries on a consolidated basis have a Fixed Charge Coverage Ratio in excess of 1.40:1.00 at the end of any two consecutive fiscal quarters of the Borrower ending on or after September 30, 2003, as determined based on the Borrower's financial statements delivered to the Administrative Agent in accordance with Section 5.1(a) and (b) and the Covenant Compliance Certificate delivered to the Administrative Agent in accordance with Section 5.1(f), the Applicable Percentage shall be reset to the percentage designated in Schedule I based on the Leverage Ratio as of the last day of such second consecutive fiscal quarter then ended, such Applicable Margin being effective as of the second Business Day following the date that the Administrative Agent receives such financial statements and certificate; and provided further, however, that if at any time the Borrower shall have failed to deliver to the Administrative Agent the Borrower's financial statements required by Section 5.1(a) and (b) and the Covenant Compliance Certificate required by

Section 5.1(f) when due, the Applicable Percentage shall be at Level III until such time as such financial statements and certificate are delivered, at which time the Applicable Percentage shall be determined as provided above.

"CONSOLIDATED EBIT" shall mean, for the Borrower and its Subsidiaries for any period, an amount equal to the sum of (a) Net Income for such period plus (b) to the extent deducted in determining Net Income for such period, (i) Interest Expense, (ii) income tax expense, (iii) for the period ending on September 30, 2002 only, one-time litigation settlement charges not to exceed $13,800,000 for such fiscal quarter ended September 30, 2002, (iv) for the period ending on December 31, 2002 only, (A) one-time restructuring charges not to exceed $23,000,000 and (B) one-time accelerated depreciation charges not to exceed $1,700,000, both for such fiscal quarter ended December 31, 2002, and (v) for the period ending on March 31, 2003 only, one-time accelerated depreciation charges not to exceed $1,700,000 for such fiscal quarter ended March 31, 2003, in each case, determined on a consolidated basis in accordance with GAAP for the applicable period.

"CONSOLIDATED FIXED CHARGES" shall mean, for the Borrower and its Subsidiaries for any period, an amount equal to the sum (without duplication) of (a) Consolidated Interest Expense for such period plus (b) Consolidated Lease Expense for such period plus (c) positive income tax expense for such period (as reflected on the Borrower's financial statement delivered to the Administrative Agent in accordance with Section 5.1(b) for such period) plus (d) Capital Expenditures for such period.

"FIXED CHARGE COVERAGE RATIO" shall mean, for any period of four consecutive fiscal quarters of the Borrower and its Subsidiaries on a consolidated basis, the ratio of (a) Consolidated EBITDAR for such period to (b) Consolidated Fixed Charges for such period.

"LOAN DOCUMENTS" shall mean, collectively, this Agreement, the Notes (if any), the LC Documents, all Notices of Borrowing and Borrowing Availability Certificates, the Subsidiary Guarantee Agreement, the Indemnity and Contribution Agreement, all Pledge Agreements and any and all other instruments, agreements, documents and writings executed in connection with any of the foregoing (excluding, however, any Hedging Agreement relating to Obligations entered into with any counterparty that was a Lender (or an Affiliate thereof) at the time such Hedging Agreement was entered into).

"NET CASH PROCEEDS" shall mean the aggregate cash proceeds received by the Borrower or any Subsidiary in respect of any Asset Disposition or any Equity Issuance, net of (a) direct costs (including, without limitation, legal, accounting and investment banking fees, and sales commissions), (b) amounts held in escrow to be applied as part of the purchase price, or otherwise subject, pursuant to contract, to rights of the purchaser as a reduction or return of the purchase price, of any Asset Disposition, (c) in the case of any Asset Disposition, amounts required to be paid to the holder of any Indebtedness permitted by Section 7.1 and secured by a Lien on the assets being sold or otherwise disposed of in such Asset Disposition, or (d) taxes paid or payable as a result thereof; it being understood that "Net Cash Proceeds" shall include, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received by the Borrower or any Subsidiary in any Asset Disposition or Equity Issuance and any cash released from escrow or from adjustment rights of the purchaser as part of the purchase price in connection with any Asset Disposition.

"REVOLVING COMMITMENT" shall mean, with respect to each Lender, the obligation of such Lender to make Revolving Loans to the Borrower and to participate in Letters of Credit and Swingline Loans in an aggregate principal amount not exceeding the U.S. Dollar Equivalent of the amount set forth with respect to such Lender on the signature pages to this Agreement, or in the case of a Person becoming a Lender after the Closing Date as permitted by Section 10.4, the amount of the assigned "Revolving Commitment" as provided in the Assignment and Acceptance Agreement executed by such Person as an assignee, as the same may be changed pursuant to terms hereof.

(b) The terms "Account," "Account Debtor," "Borrowing Availability," "Borrowing Availability Certificate," "Borrowing Base," "Consolidated EBITDAR," "Covenant Compliance Certificate," "Eligible Accounts," "Equity Issuance" and "Ineligible Accounts" are hereby added under the heading "ARTICLE I - DEFINITIONS; CONSTRUCTION" of the Existing Credit Agreement in their proper alphabetical order as follows:

"ACCOUNT" shall mean a right to payment of a monetary obligation arising in the ordinary course of business, whether or not earned by performance, (a) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, and (b) for services rendered or to be rendered; but such term shall not include (i) commercial tort claims,
(ii) deposit accounts, (iii) investment property, (iv) letter-of-credit rights or letters of credit, or (v) rights to payment for money or funds advanced or sold, other than rights arising out of the use of a credit or charge card or information contained on or for use with the card.

"ACCOUNT DEBTOR" means a Person obligated on an Account.

"BORROWING AVAILABILITY" shall mean the greatest additional amount that may be borrowed on any date by the Borrower in respect of the Loans in the aggregate, with such maximum amount to equal, at any date of determination (which date and determination shall be in the Administrative Agent's reasonable discretion), the difference between:

(a) the Borrowing Base; and

(b) the sum of the aggregate Revolving Credit Exposures of all Lenders;

provided, however, that the Borrower shall not in any event be permitted to borrow more than the Aggregate Revolving Commitments then in effect, irrespective of the size of the Borrowing Base.

"BORROWING AVAILABILITY CERTIFICATE" shall have the
meaning set forth in Section 2.1.

"BORROWING BASE" shall mean at any time eighty-five

percent (85%) of the face value of Eligible Accounts.

"CONSOLIDATED EBITDAR" shall mean, for the Borrower and its Subsidiaries for any period, an amount equal to the sum of (a) Consolidated EBITDA plus (b) Consolidated Lease Expense, determined on a consolidated basis in accordance with GAAP in each case for such period.

"COVENANT COMPLIANCE CERTIFICATE" shall have the meaning set forth in Section 5.1(f).

"ELIGIBLE ACCOUNTS" shall mean any Account of Borrower or a Subsidiary Guarantor except for Ineligible Accounts.

"EQUITY ISSUANCE" shall mean any issuance by any Loan Party to any Person which is not a Loan Party of shares of its Capital Stock (excluding the issuance of any such shares by the Borrower under or in connection with its employee stock purchase plan or pursuant to the exercise of employee or director stock options).

"INELIGIBLE ACCOUNTS" shall mean any Account with respect to which: (i) the obligation to pay is not evidenced by an invoice or the invoice is conditional, permits returns, or restricts collection rights or assignments in any respect (except, however, that the invoice may permit returns in the ordinary course of business); (ii) the invoice permits payment: (A) more than 60 days after invoice date; (B) in a currency other than United States Dollars; or (C) at any location outside the United States; (iii) the obligation to pay is evidenced by chattel paper or any note or other instrument (unless duly endorsed and delivered to the Administrative Agent); (iv) the goods or services have been rejected, returned, or disputed in any way, whether in whole or in part, in which event the receivable shall be ineligible to the extent of such rejection, return, or dispute; (v) the Account Debtor has attempted to renegotiate the invoiced price or asserted any right of reduction, set-off, recoupment, counterclaim, or defense; (vi) 90 days or more have elapsed since invoice date; (vii) the invoice or corresponding Account is the subject of any financing statement, lien, or other encumbrance other than in favor of the Administrative Agent;
(viii) the Account Debtor is an officer, employee or shareholder or a direct or indirect Subsidiary or Affiliate of the Borrower; (ix) the Account Debtor has commenced a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or made an assignment for the benefit of creditors, or if a decree or order for relief has been entered by a court having jurisdiction over the Account Debtor in an involuntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or if any other petition or other application for relief under the federal bankruptcy laws has been filed by or against the Account Debtor, or if the Account Debtor has failed, suspended business, declared itself to be insolvent, or consented to or suffered a receiver, trustee, liquidator or custodian to be appointed for it or for all or a significant portion of its assets or affairs; (x) the Account Debtor is any governmental authority, unless an assignment of such Account has been properly perfected under the Assignment of Claims Act of 1940, as amended; (xi) the Account Debtor does not meet the established credit standards of the Borrower; (xii) fifty percent (50%) or more of the aggregate balance of the Accounts owing by the Account Debtor and its Affiliates remain unpaid for more than 90 days after the invoice date for such Accounts; (xiii) the aggregate balance of Accounts owing by a single Account Debtor that exceed 20% of the total Accounts of the Borrower (except if such Account Debtor is the United States government and such Account meets the eligibility requirements of clause (x) of this definition); (xiv) the Account Debtor's principal office is located outside of the United States of America (unless such account is supported by a letter of credit or credit insurance acceptable to the Administrative Agent and naming the Administrative Agent as beneficiary); (xv) the Account is related to any unapplied credit of an Account Debtor that exceeds 90 days from the invoice date; (xvi) the invoice is issued with "cash" or "C.O.D." terms; (xvii) finance charges have been assessed to an Account Debtor, but only to the extent of such

finance charges; or (xviii) the Administrative Agent otherwise determines in its reasonable discretion that the Account is ineligible hereunder.

(c) The terms "Lender Addition Agreement," "New Lender" and "Utilization Rate" under the heading "ARTICLE I - DEFINITIONS; CONSTRUCTION" of the Existing Credit Agreement are hereby deleted in their entirety and not replaced.

SECTION 2.2 AMENDMENTS TO ARTICLE II - AMOUNT AND TERMS OF THE COMMITMENTS. Effective as of the Amendment No. 1 Effective Date, the Existing Credit Agreement is hereby amended as follows:

(a) Section 2.1 of "ARTICLE II - AMOUNT AND TERMS OF THE COMMITMENTS" of the Existing Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

SECTION 2.1 GENERAL DESCRIPTION OF FACILITIES.

(a) Subject to and upon the terms and conditions herein set forth, (a) the Lenders hereby establish in favor of the Borrower a revolving credit facility pursuant to which the Lenders severally agree (to the extent of each Lender's Pro Rata Share up to such Lender's Revolving Commitment) to make Revolving Loans to the Borrower in accordance with Section 2.2, (b) the Swingline Lender agrees to make Swingline Loans in accordance with Section 2.4, (c) the Issuing Bank agrees to issue Letters of Credit in accordance with Section 2.23, and (d) each Lender agrees to purchase a participation interest in the Swingline Loans and the Letters of Credit pursuant to the terms and conditions hereof; provided, that in no event shall (x) the Revolving Credit Exposure of any Lender (determined in accordance with Section 10.14) exceed at any time its Revolving Commitment then in effect, (y) the sum of the aggregate Revolving Credit Exposures (determined in accordance with Section 10.14) exceed at any time the lesser of (i) the Aggregate Revolving Commitments then in effect or (ii) the Borrowing Base, or (z) the U.S. Dollar Equivalent amount of outstanding Revolving Loans and LC Obligations funded and issued in Foreign Currency (determined in accordance with Section 10.14) exceed the Foreign Currency Commitment from time to time in effect.

(b) The Borrower shall furnish a certificate to the Administrative Agent, substantially in the form of Exhibit 2.1 attached hereto (a "BORROWING AVAILABILITY CERTIFICATE"), (i) if there are Revolving Loans outstanding, on a monthly basis on or before the tenth (10th) Business Day of each calendar month and (ii) if there are no Revolving Loans outstanding, on a quarterly basis as soon as available after the end of each fiscal quarter of the Borrower and, in any event, at or before the time of delivery of the financial statements required by Section 5.1(a) and (b), in each case, duly executed and certified correct by a Responsible Officer, setting forth a calculation of the Borrowing Availability as of such calendar month end or such fiscal quarter end, as applicable. The Administrative Agent shall determine the availability of any Borrowing or the issuance of any Letter of Credit based upon the most current calendar month end or the most current fiscal quarter end, as applicable, Borrowing Availability Certificate showing that the Borrowing Availability is sufficient to support such Borrowing or the issuance of such Letter of Credit. All Borrowings and issuance of Letters of Credit during each calendar month or fiscal quarter, as applicable, shall thereafter be reconciled by the Administrative Agent upon receipt of the next succeeding Borrowing Availability Certificate, and to the extent any Borrowing was made or any Letter of Credit was issued without the appropriate availability (as shown by such next succeeding Borrowing

Availability Certificate) and a resulting margin imbalance has occurred, the Borrower shall be required to pay down such margin imbalance immediately upon telephonic notice (followed by written notice) of such margin imbalance from the Administrative Agent. At the option of the Administrative Agent, each Borrowing Availability Certificate shall be subject to verification by appropriate representatives of the Administrative Agent prior to the disbursement of any monies.

(b) Section 2.2 of "ARTICLE II - AMOUNT AND TERMS OF THE COMMITMENTS" of the Existing Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

SECTION 2.2 REVOLVING LOANS. Subject to the terms and conditions set forth herein, each Lender severally agrees to make Revolving Loans to the Borrower, from time to time during the Availability Period, in the aggregate U.S. Dollar Equivalent principal amount outstanding at any time that will not result in (a) such Lender's Revolving Credit Exposure (determined in accordance with Section 10.14) exceeding such Lender's Revolving Commitment or (b) the sum of the aggregate Revolving Credit Exposures of all Lenders (determined in accordance with Section 10.14) exceeding the lesser of (i) the Aggregate Revolving Commitments or (ii) the Borrowing Base. Funding of any Revolving Loans shall be in any combination of U.S. Dollars and Foreign Currency as specified by the Borrower as set forth in Section 2.3; provided, that subject to the further applicable limitations set forth in
Section 2.23(a) with regard to the issuance of Letters of Credit, the U.S. Dollar Equivalent amount of outstanding Revolving Loans and LC Obligations funded and issued in Foreign Currency (determined, with respect to such Revolving Loans and LC Obligations, in accordance with Section 10.14) shall at no time exceed the Foreign Currency Commitment then in effect. During the Availability Period, the Borrower shall be entitled to borrow, prepay and reborrow Revolving Loans in accordance with the terms and conditions of this Agreement; provided, that the Borrower may not borrow or reborrow should there exist a Default or Event of Default.

(c) The last sentence of Section 2.3 of "ARTICLE II - AMOUNT AND TERMS OF THE COMMITMENTS" of the Existing Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

Promptly following the receipt of a Notice of Revolving Borrowing in accordance herewith, and provided that the Borrowing Availability based on the most current Borrowing Availability Certificate furnished by the Borrower to the Administrative Agent in accordance with Section 2.1 supports such Revolving Borrowing, the Administrative Agent shall advise each Lender of the details thereof and the amount of such Lender's Revolving Loan to be made as part of the requested Revolving Borrowing.

(d) Section 2.4 of "ARTICLE II - AMOUNT AND TERMS OF THE COMMITMENTS" of the Existing Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

SECTION 2.4 SWINGLINE COMMITMENT. Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower, from time to time from the Closing Date to the Swingline Termination Date, in an aggregate principal amount outstanding at any time not to exceed the lesser of (a) the Swingline Commitment then in effect, (b) the difference between the Aggregate Revolving Commitments and the sum of the aggregate Revolving Credit Exposures of all Lenders and (c) the Borrowing Availability; provided, that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. The Borrower shall be entitled to borrow, repay and reborrow Swingline Loans in accordance with the terms and conditions of this Agreement.

(e) Subsection (a) under Section 2.11 of "ARTICLE II - AMOUNT AND TERMS OF THE COMMITMENTS" of the Existing Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

(a) Mandatory Prepayments. The Borrower shall be required to make mandatory principal prepayments from 100% of the Net Cash Proceeds (including all Net Cash Proceeds received on any purchase money Indebtedness held by the recipient of such Net Cash Proceeds) from any Asset Disposition involving 5% or more of the total assets of the Borrower and its Subsidiaries on a consolidated basis as reflected on the Borrower's most recent annual consolidated balance sheet delivered to the Administrative Agent pursuant to Section 5.1(a), unless such Net Cash Proceeds are fully reinvested by the Borrower (or, if applicable, such Subsidiary) in like assets owned by the Borrower or such Guarantor within twelve (12) months from the date of closing such Asset Disposition. In such case, the Borrower will deliver to the Administrative Agent, concurrently with such prepayment, a certificate signed by a Responsible Officer, in form and substance satisfactory to the Administrative Agent, setting the forth the calculation of such Net Cash Proceeds. All such prepayments shall be applied as follows: first, to any outstanding Swingline Loans, second, to any outstanding Revolving Loans (but without a corresponding permanent reduction in the Revolving Commitments), and last, after all Swingline Loans and all Revolving Loans have been repaid, to the Borrower. Further, if at any time after the Closing Date, the aggregate Revolving Credit Exposures shall exceed the lesser of (i) the Aggregate Revolving Commitments or (ii) the Borrowing Base, then (x) on the last day of any Interest Period for any Eurocurrency Borrowing and (y) on any other date in the event Base Rate Borrowings shall be outstanding, the Borrower shall prepay Revolving Loans in an amount equal to the lesser of (A) the amount necessary to eliminate such excess (after giving effect to any other prepayment of Loans on such date) and (B) the amount of the Borrowings referred to in clauses (x) and (y), as applicable. Without limiting the generality of the foregoing, the Borrower acknowledges that such required payments may be necessary whenever the most current calendar month end or the most current fiscal quarter end, as applicable, Borrowing Availability Certificate demonstrates that there shall then be outstanding in respect of the sum of the Revolving Credit Exposures of all Lenders an aggregate amount in excess of the Borrowing Base. Further, if, on any Reset Date, (i) the aggregate Revolving Credit Exposure exceeds 105% of the Aggregate Revolving Commitments then in effect, or (ii) the sum of the U.S. Dollar Equivalent of (A) the aggregate principal amount of outstanding Revolving Loans denominated in a Foreign Currency, plus (B) the undrawn amounts of outstanding Letters of Credit denominated in a Foreign Currency, plus (C) the aggregate amount of LC Disbursements denominated in a Foreign Currency that have not been reimbursed by or on behalf of the Borrower exceeds 105% of the Foreign Currency Commitment then in effect, then, in either such case, the Borrower shall be required to make mandatory principal prepayments of such Revolving Loans in an aggregate amount sufficient to eliminate such excess. Immediately upon determining the need to make any such prepayment, the Borrower shall notify the Administrative Agent of such required prepayment and of the identity of the particular Revolving Loans being prepaid. If the Administrative Agent shall notify the Borrower that the Administrative Agent has determined that any prepayment is required under this Section 2.11(a), the Borrower shall make such prepayment no later than the

second Business Day following such notice. Any mandatory prepayment of Revolving Loans pursuant hereto shall not be limited by the notice provision for prepayments set forth in
Section 2.11(b). Each such prepayment shall be accompanied by a payment of all accrued and unpaid interest on the Loans prepaid and all amounts required pursuant to Sections 2.17 and 2.19.

(f) Subsection (b) under Section 2.13 of "ARTICLE II - AMOUNT AND TERMS OF THE COMMITMENTS" of the Existing Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

(b) Commitment Fee. The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue at the Applicable Percentage (determined quarterly in accordance with Schedule
I) on the average daily amount of the unused Revolving Commitment of such Lender during the Availability Period; provided, that if such Lender continues to have any Revolving Credit Exposure after the Commitment Termination Date, then the commitment fee shall continue to accrue on the amount of such Lender's unused Revolving Commitment from and after the Commitment Termination Date to the date that all of such Lender's Revolving Credit Exposure has been paid in full. As of the Amendment No. 1 Effective Date, the Applicable Percentage shall initially be 0.75%, but shall be reset from time to time as provided in the definition of "Applicable Percentage" herein. Accrued commitment fees shall be payable in arrears on the last day of each March, June, September and December of each year and on the Commitment Termination Date, commencing on the first such date after the Closing Date; provided, that any commitment fees accruing after the Commitment Termination Date shall be payable on demand. For purposes of computing commitment fees with respect to the Revolving Commitments, the Revolving Commitment of each Lender shall be deemed used to the extent of the outstanding Revolving Loans and LC Exposure of such Lender (but outstanding Swingline Loans shall not be deemed usage of the Revolving Commitment of any Lender).

(g) Subsection (a) under Section 2.23 of "ARTICLE II - AMOUNT AND TERMS OF THE COMMITMENTS" of the Existing Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

(a) During the Availability Period, the Issuing Bank, in reliance upon the agreements of the other Lenders pursuant to Section 2.23(d), agrees to issue, at the request and for the account of the Borrower, Letters of Credit on behalf of the Borrower on the terms and conditions hereinafter set forth; provided, that (i) each Letter of Credit shall expire on the earlier of (A) the date one year after the date of issuance of such Letter of Credit (or in the case of any renewal or extension thereof, one year after such renewal or extension) and (B) the date that is five (5) Business Days prior to the Commitment Termination Date; (ii) each Letter of Credit shall be in a stated amount of at least the U.S. Dollar Equivalent of $500,000; and (iii) the Borrower may not request any Letter of Credit, if, after giving effect to such issuance (A) the aggregate LC Exposure would exceed the LC Commitment, (B) the aggregate Revolving Credit Exposures of all Lenders would exceed the lesser of (i) the Aggregate Revolving Commitments or (ii) the Borrowing Base, or (C) the issuance of such Letter of Credit would violate any legal or regulatory restriction then applicable to the Issuing Bank or any Lender as notified by the Issuing Bank or such Lender to the Administrative Agent before the date of issuance of such Letter of Credit. Letters of Credit may be issued in face amounts of any Foreign Currency; provided, that the sum of the U.S. Dollar Equivalent of (i) the aggregate principal amount of outstanding Revolving Loans denominated in a Foreign Currency, plus (ii) the undrawn amounts of outstanding Letters of Credit denominated in a Foreign Currency, plus (iii) the aggregate amount of LC Disbursements denominated in a Foreign Currency that have not been reimbursed by or on behalf of the Borrower shall not exceed the Foreign Currency Commitment then in effect. Upon the issuance of each Letter of Credit each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Issuing Bank without recourse a participation in such Letter of Credit equal to such Lender's Pro Rata Share of the aggregate amount available to be drawn under such Letter of Credit. Each issuance of a Letter of Credit shall be deemed to utilize the Revolving Commitment of each Lender by an amount equal to the amount of such participation.

SECTION 2.3 AMENDMENTS TO ARTICLE V - AFFIRMATIVE COVENANTS.
Effective as of the Amendment No. 1 Effective Date, the Existing Credit Agreement is hereby amended as follows:

(a) Subsection (c) under Section 5.1 of "ARTICLE V - AFFIRMATIVE COVENANTS" of the Existing Credit Agreement is hereby deleted in its entirety and the following new subsection is inserted in its place:

(c) concurrently with the delivery of the financial statements referred to in clauses (a) and (b) above, a certificate of a Responsible Officer, (i) certifying as to whether there exists a Default or Event of Default on the date of such certificate, and if a Default or an Event of Default then exists, specifying the details thereof and the action which the Borrower has taken or proposes to take with respect thereto, and (ii) stating whether any change in GAAP or the application thereof has occurred since the date of the Borrower's audited financial statements referred to in Section 4.4 and, if any change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(b) Subsections (e) and (f) under Section 5.1 of "ARTICLE V - AFFIRMATIVE COVENANTS" of the Existing Credit Agreement are hereby re-designated as subsections (g) and (h), respectively, and the following new subsections (e) and (f) are added under said Section as follows:

(e) as applicable in accordance with Section 2.1(b), (i) on or before the tenth (10th) Business Day of each calendar month or (ii) as soon as available after the end of each fiscal quarter of the Borrower and, in any event, at or before the time of delivery of the financial statements required by Section 5.1(a) and (b), a Borrowing Availability Certificate as of the last day of the immediately preceding calendar month end or fiscal quarter end, as applicable;

(f) concurrently with the delivery of each Borrowing Availability Certificate referred to in clause (e), a certificate of a Responsible Officer (a "COVENANT COMPLIANCE CERTIFICATE"), setting forth in reasonable detail calculations demonstrating compliance with Article VI in the form of Exhibit 5.1(f) hereto;

(c) Section 5.9 of "ARTICLE V - AFFIRMATIVE COVENANTS" of the Existing Credit Agreement is hereby amended to change the reference to
Section 7.4(c) therein to Section 7.4(a).

SECTION 2.4 AMENDMENTS TO ARTICLE VI - FINANCIAL COVENANTS.
Effective as of the Amendment No. 1 Effective Date, the Existing Credit Agreement is hereby amended as follows:

(a) Section 6.1 of "ARTICLE VI - FINANCIAL COVENANTS" of the Existing Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

SECTION 6.1 LEVERAGE RATIO. The Borrower and its Subsidiaries will have, as of the end of each fiscal quarter of the Borrower, commencing with the fiscal quarter ending December 31, 2002, a Leverage Ratio of not greater than 2.00:1.00, calculated on a rolling four-quarter basis and determined in accordance with GAAP.

(b) Section 6.2 of "ARTICLE VI - FINANCIAL COVENANTS" of the Existing Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

SECTION 6.2 FIXED CHARGE COVERAGE RATIO. The Borrower and its Subsidiaries will have, as of the end of each fiscal quarter of the Borrower, (a) commencing with the fiscal quarter ending September 30, 2002 through and including the fiscal quarter ending December 31, 2002, a Fixed Charge Coverage Ratio of not less than 1.25:1.00; (b) for the fiscal quarter ending March 31, 2003, a Fixed Charge Coverage Ratio of not less than 1.20:1:00; (c) commencing with the fiscal quarter ending June 30, 2003 through and including the fiscal quarter ending September 30, 2003, a Fixed Charge Coverage Ratio of not less than 1.05:1.00; (d) for the fiscal quarter ending December 31, 2003, a Fixed Charge Coverage Ratio of not less than 1.15:1.00; and (e) commencing with the fiscal quarter ending March 31, 2004 and thereafter, a Fixed Charge Coverage Ratio of not less than 1.25:1.00, in each case, calculated on a rolling four-quarter basis and determined in accordance with GAAP.

(c) Section 6.3 of "ARTICLE VI - FINANCIAL COVENANTS" of the Existing Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

SECTION 6.3 CONSOLIDATED NET WORTH. The Borrower and its Subsidiaries will have, as of the end of each fiscal quarter of the Borrower, commencing with the fiscal quarter ending December 31, 2002, a Consolidated Net Worth in an amount equal to or greater than the difference between (a) the sum of (i) $167,500,000, plus (ii) 50% of cumulative Consolidated Net Income accrued since the end of such fiscal quarter, all determined in accordance with GAAP; provided, that if Consolidated Net Income is negative in any fiscal quarter the amount added for such fiscal quarter shall be zero and such negative Consolidated Net Income shall not reduce the amount of Consolidated Net Income added from any previous fiscal quarter, plus (iii) one hundred percent (100%) of the aggregate Net Cash Proceeds from any Equity Issuance, minus (b) an amount equal to the actual expenditure of funds by Borrower on or after November 1, 2002 for the repurchase of Borrower's common stock, not to exceed, however, $7,500,000 in the aggregate at any time for the term of the Loans, in each case calculated quarterly on the last day of each fiscal quarter.

(d) A new Section 6.4 is hereby added under "ARTICLE VI - FINANCIAL COVENANTS" of the Existing Credit Agreement as follows:

SECTION 6.4 LIQUIDITY. The Borrower and its Subsidiaries will have at all times cash and Cash Equivalents in an amount equal to or greater than the U.S. Dollar Equivalent of $40,000,000; provided, however, the Borrower may not request or use Borrowings hereunder in order to meet such liquidity requirement.

(e) A new Section 6.5 is hereby added under "ARTICLE VI - FINANCIAL COVENANTS" of the Existing Credit Agreement as follows:

SECTION 6.5 MINIMUM ELIGIBLE ACCOUNTS. The Borrower and the Subsidiary Guarantors will have at all times Eligible Accounts in an amount equal to or greater than $23,750,000.

SECTION 2.5 AMENDMENTS TO ARTICLE VII - NEGATIVE COVENANTS.
Effective as of the Amendment No. 1 Effective Date, the Existing Credit Agreement is hereby amended as follows:

(a) Subsection (h) under Section 7.1 of "ARTICLE VII - NEGATIVE COVENANTS" of the Existing Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

(h) other unsecured Indebtedness in an aggregate principal amount not to exceed $2,000,000 at any time outstanding.

(b) Subsection (a)(iii) under Section 7.4 of "ARTICLE VII
- NEGATIVE COVENANTS" of the Existing Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

(iii) Investments in the common stock or securities of any other Person (including any option, warrant or other right to acquire any such stock or securities) or purchases, leases or other acquisitions (in one transaction or a series of transactions) of any assets of any other Person; provided, that (A) the aggregate cost of any such Investments or acquisitions (which includes assumed Indebtedness) does not exceed $10,000,000 in any single case; (B) the aggregate cost of all such Investments and other acquisitions (which includes assumed Indebtedness) for any period of four consecutive fiscal quarters of the Borrower does not exceed $20,000,000; and (C) the aggregate cost of all such Investments and other acquisitions (which includes assumed Indebtedness) for the term of the Loans does not exceed $50,000,000;

(c) Subsections (a)(vi) and (vii) under Section 7.4 of "ARTICLE VII - NEGATIVE COVENANTS" of the Existing Credit Agreement are hereby amended to strike the word "and" at the end of subsection (a)(vi) and to strike the period at the end of subsection (a)(vii) and to insert in its place "; and".

(d) A new subsection (a)(viii) is hereby added under
Section 7.4 of "ARTICLE VII - NEGATIVE COVENANTS" as follows:

(viii) Investments in repurchases of the capital stock of the Borrower which do not exceed $5,000,000 for the term of the Loans, provided, that the foregoing limitation shall be increased to $7,500,000 if Consolidated EBITDAR exceeds $16,000,000 as of the end of any fiscal quarter commencing with the fiscal quarter ending September 30, 2003.

(e) Subsection (b) under Section 7.4 of "ARTICLE VII - NEGATIVE COVENANTS" of the Existing Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

(b) The Borrower will not, and will not permit any of its Subsidiaries to, make Capital Expenditures in the aggregate (i) in excess of (A) $7,500,000 during any fiscal quarter of the Borrower commencing with the fiscal quarter ending December 31, 2002 through and including the fiscal quarter ending December 31, 2003 or (B) $15,000,000 during any fiscal quarter of the Borrower commencing with the fiscal quarter ending March 31, 2004 and thereafter, or (ii) in excess of (A) $25,000,000 for any period of four consecutive fiscal quarters of the Borrower commencing with the fiscal quarter ending

December 31, 2002 through and including the fiscal quarter ending December 31, 2003 or (B) $50,000,000 for any period of four consecutive fiscal quarters of the Borrower commencing with the fiscal quarter ending March 31, 2004 and thereafter.

(f) Section 7.5 of "ARTICLE VII - NEGATIVE COVENANTS" of the Existing Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

SECTION 7.5 RESTRICTED PAYMENTS. The Borrower will not, and will not permit its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any dividend on any class of its stock, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, retirement, defeasance or other acquisition of, any shares of common stock or Indebtedness subordinated to the Obligations of the Borrower or any options, warrants, or other rights to purchase such common stock or such Indebtedness, whether now or hereafter outstanding (each, a "RESTRICTED PAYMENT"), except for (a) dividends payable by the Borrower solely in shares of any class of its common stock and (b) Restricted Payments made by any Subsidiary to the Borrower or to another Subsidiary Loan Party.

SECTION 2.6 AMENDMENTS TO ARTICLE VIII - EVENTS OF DEFAULT.
Effective as of the Amendment No. 1 Effective Date, the Existing Credit Agreement is hereby amended as follows:

(a) Subsection (k) under Section 8.1 of "ARTICLE VIII - EVENTS OF DEFAULT" of the Existing Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

(k) any judgment or order for the payment of money that exceeds $2,500,000 in the aggregate (excluding, however, for the period ending September 30, 2002 and thereafter, the settlement of that certain class action suit against the Borrower identified on Schedule 4.5 in an amount not exceeding $13,800,000, exclusive of insurance, pursuant to the memorandum of understanding filed with the court), or that has, or could reasonably be expected to have, a Material Adverse Effect shall be rendered against the Borrower or any Subsidiary, and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or
(ii) there shall be a period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

SECTION 2.7 AMENDMENTS TO SCHEDULE I - PRICING GRID. Effective as of the Amendment No. 1 Effective Date, the Existing Credit Agreement is hereby amended as follows:

(a) Schedule I of the Existing Credit Agreement is hereby deleted in its entirety and the new form of Schedule I attached hereto is substituted in lieu thereof.

SECTION 2.8 DELETION OF EXISTING EXHIBIT 2.1 AND ADDITION OF NEW
EXHIBIT 2.1 - BORROWING AVAILABILITY CERTIFICATE. Effective as of the Amendment No. 1 Effective Date, the Existing Credit Agreement is hereby amended as follows:

(a) Exhibit 2.1 to the Existing Credit Agreement is hereby deleted in its entirety and is replaced by the new Exhibit 2.1 - Borrowing Availability Certificate in the form attached hereto.

SECTION 2.9 RE-DESIGNATION OF EXHIBIT 5.1(C) TO EXHIBIT 5.1(F) -
COVENANT COMPLIANCE CERTIFICATE. Effective as of the Amendment No. 1 Effective Date, the Existing Credit Agreement is hereby amended as follows:

(a) Exhibit 5.1(c) to the Existing Credit Agreement is hereby re-designated as Exhibit 5.1(f) - Covenant Compliance Certificate, and all references in the Existing Credit Agreement to Section 5.1(c), from and after the Amendment No. 1 Effective Date, shall be deemed to refer to Section 5.1(f).

SECTION 2.10 REDUCTION OF REVOLVING NOTE AMOUNTS. Effective as of the Amendment No. 1 Effective Date, the Existing Credit Agreement is hereby amended as follows:

(a) Notwithstanding the fact that the face amount of the Revolving Credit Note currently held by each Lender is in the amount of the Lender's original Revolving Commitment, the principal amount thereof shall not exceed such Lender's reduced Revolving Commitment as set forth with respect to each Lender on the signature pages to this Amendment, and each such Revolving Credit Note and all references thereto in the Existing Credit Agreement shall be deemed amended accordingly effective as of the Amendment No. 1 Effective Date without the necessity of re-executing any Revolving Credit Note.

ARTICLE III

EFFECTIVENESS OF AMENDMENT NO. 1

SECTION 3.1 Upon execution hereof by the Borrower, the Administrative Agent and the Required Lenders, this Amendment shall be and become effective as of the date hereof (the "AMENDMENT NO. 1 EFFECTIVE DATE"), and hereafter, this Amendment shall be known, and may be referred to, as "AMENDMENT NO. 1".

ARTICLE IV

MISCELLANEOUS

SECTION 4.1 REPRESENTATIONS AND WARRANTIES. The Borrower hereby represents and warrants to the Administrative Agent and the Lenders that, after giving effect to this Amendment, (a) no Default or Event of Default exists under the Existing Credit Agreement or any of the other Loan Documents, (b) all representations and warranties of each Loan Party set forth in the Loan Documents are true and correct in all material respects on and as of the date hereof (except for those which expressly relate to an earlier date), (c) since the date of the most recent financial statements of the Borrower described in
Section 5.1(a) or (b) of the Existing Credit Agreement, there has been no change which has had or could reasonably be expected to have a Material Adverse Effect, and (d) the Loan Documents are legal, valid and binding obligations of the respective Loan Parties and are enforceable by the Administrative Agent and the Lenders, as applicable, against such Loan Parties in accordance with their respective terms.

SECTION 4.2 CROSS REFERENCES. References in this Amendment to any
Section are, unless otherwise specified, to such Section of this Amendment.

SECTION 4.3 INSTRUMENT PURSUANT TO EXISTING CREDIT AGREEMENT. This Amendment 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.

SECTION 4.4 LOAN DOCUMENTS. The Borrower hereby confirm and agree that the Loan Documents are, and shall continue to be, in full force and effect and hereby ratify and approve in all respects their obligations thereunder, except that, upon the effectiveness of, and on and after the date of this Amendment, all references in each Loan Document to the "CREDIT Agreement", "thereunder", "thereof" or words of like import referring to the Existing Credit Agreement shall mean the Amended Credit Agreement.

SECTION 4.5 INDEMNIFICATION. The Borrower shall pay, and hold the Administrative Agent, the Collateral Agent and each of the Lenders harmless from and against, any and all present and future stamp, documentary, and other similar taxes with respect to this Amendment and any other Loan Documents, any collateral described therein, or any payments due thereunder, and save the Administrative Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay such taxes. The indemnity provided herein shall survive repayment of the Loans.

SECTION 4.6 ENTIRE AGREEMENT. This Amendment and any separate letter agreement(s) relating to any fees payable to the Administrative Agent constitute the entire agreement among the parties hereto and thereto regarding the subject matters hereof and thereof and supersede all prior agreements and understandings, oral or written, regarding such subject matters.

SECTION 4.7 COUNTERPARTS, ETC. This Amendment 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. The parties may execute facsimile copies of this Amendment and the facsimile signature of any such party shall be deemed an original and fully binding on said party; provided, any party executing this Amendment by facsimile signature agrees to promptly provide ten (10) original executed copies of this Amendment to Administrative Agent.

SECTION 4.8 GOVERNING LAW; ETC. This Amendment shall be governed by and construed in accordance with the applicable terms and provisions of
Section 10.5 - Governing Law; Jurisdiction; Consent to Service of Process of "ARTICLE X - MISCELLANEOUS" of the Existing Credit Agreement, which terms and provisions are incorporated herein by reference.

SECTION 4.9 NO OTHER MODIFICATIONS. Except as hereby amended, no other term, condition or provision of the Existing Credit Agreement shall be deemed modified or amended, and this Amendment shall not be considered a novation.

SECTION 4.10 SUCCESSORS AND ASSIGNS. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

[Signatures follow on next page]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed [under seal in the case of the Borrower] by their respective duly authorized officers as of the day and year first above written.

SYKES ENTERPRISES, INCORPORATED

By: /s/ W. Michael Kipphut
Name: W. Michael Kipphut
Title: Group Executive and Senior Vice President-Finance

[SEAL]

SUNTRUST BANK, AS ADMINISTRATIVE AGENT, AS COLLATERAL AGENT, AS SWINGLINE LENDER AND AS A LENDER

By : /s/ Donald T. Campisano
Name: Donald T. Campisano
Title: Director

Revolving Commitment: $16,666,666

Swingline Commitment: $10,000,000

WACHOVIA BANK, NATIONAL ASSOCIATION, AS A LENDER

By: /s/ J. Andrew Phelps
Name: J. Andrew Phelps
Title: Vice President

Revolving Commitment: $13,333,333

BNP PARIBAS, AS A LENDER

By:

Name:
Title:

Revolving Commitment: $10,000,000

Accepted and Agreed to as of the Amendment No. 1 Effective Date:

SYKES GLOBAL HOLDINGS, LLC
SYKES LP HOLDINGS, LLC
SYKES FINANCIAL SERVICES, INC.

By: /s/ W. Michael Kipphut

Name: W. Michael Kipphut
Title: Senior Vice President and Chief Financial Officer

SYKES REALTY, INC.

By: /s/ W. Michael Kipphut

Name: W. Michael Kipphut
Title: Vice President and Chief Financial Officer

SYKES ENTERPRISES-SOUTH AFRICA, INC.

By: /s/ W. Michael Kipphut

Name: W. Michael Kipphut
Title: President

Schedule I-1

PRICING GRID

Leverage Ratio	Applicable Margin (per annum)		Applicable Percentage (per annum)
	Base Rate	LIBOR	Commitment Fee
Level I: ≤0.75	0.50%	1.50%	0.50%
Level II: > 0.75 and ≤1.50	1.00%	2.00%	0.625%
Level III: > 1.50	1.50%	2.50%	0.75%

EXHIBIT 15

October 28, 2002

Board of Directors
Sykes Enterprises, Incorporated
400 N. Ashley Drive
Tampa, FL 33602

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim consolidated financial information of Sykes Enterprises, Incorporated and subsidiaries for the periods ended September 30, 2002 and 2001, as indicated in our report dated October 28, 2002; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, is incorporated by reference in Registration Statement Nos. 333-23681, 333-76629, 333-88359, and 333-73260 on Forms S-8.

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

/s/ Deloitte & Touche LLP

Certified Public Accountants

Tampa, Florida

EXHIBIT 99.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Sykes Enterprises, Incorporated (the "Company") on Form 10-Q for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John H. Sykes, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2002

By: /s/ John H. Sykes
--
John H. Sykes
Chairman and Chief Executive Officer

EXHIBIT 99.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Sykes Enterprises, Incorporated (the "Company") on Form 10-Q for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. Michael Kipphut, Group Executive, Senior Vice President - Finance of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2002

By: /s/ W. Michael Kipphut

W. Michael Kipphut
Group Executive, Senior Vice President - Finance
(Principal Financial and Accounting Officer)