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SYKES ENTERPRISES INC

FORM 10-Q
(Quarterly Report)

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Table of Contents

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

FORM 10-Q

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

For the quarterly period ended September 30, 2011

☐ 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, Suite 2800, Tampa, FL	**33602**
(Address of principal executive offices)	(Zip Code)

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

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of October 28, 2011, there were 44,578,393 outstanding shares of common stock.

Sykes Enterprises, Incorporate and Subsidiaries

Form 10-Q

INDEX

	Page No.
Part I. Financial Information	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets September 30, 2011 and December 31, 2010 (Unaudited)	3
Condensed Consolidated Statements of Operations Three and Nine Months Ended September 30, 2011 and 2010 (Unaudited)	4
Condensed Consolidated Statements of Changes in Shareholders' Equity Nine Months Ended September 30, 2010, Three Months Ended December 31, 2010 and Nine Months Ended September 30, 2011 (Unaudited)	5
Condensed Consolidated Statements of Cash Flows Nine Months Ended September 30, 2011 and 2010 (Unaudited)	6
Notes to Condensed Consolidated Financial Statements (Unaudited)	8
Report of Independent Registered Public Accounting Firm	45
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	46
Item 3. Quantitative and Qualitative Disclosures About Market Risk	61
Item 4. Controls and Procedures	62
Part II. Other Information	
Item 1. Legal Proceedings	64
Item 1A. Risk Factors	64
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	64
Item 3. Defaults Upon Senior Securities	64
Item 4. Removed and Reserved	64
Item 5. Other Information	65
Item 6. Exhibits	65
Signature	66
EX-10.1	
EX-15	
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	
EX-101 INSTANCE DOCUMENT	
EX-101 SCHEMA DOCUMENT	
EX-101 CALCULATION LINKBASE DOCUMENT	
EX-101 LABELS LINKBASE DOCUMENT	
EX-101 PRESENTATION LINKBASE DOCUMENT	
EX-101 DEFINITION LINKBASE DOCUMENT	

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands, except per share data)	September 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	**$ 204,790**	$ 189,829
Receivables, net	**242,629**	248,842
Prepaid expenses	**14,498**	10,704
Other current assets	**24,999**	22,913
Total current assets	**486,916**	472,288
Property and equipment, net	**95,599**	113,703
Goodwill	**120,104**	122,303
Intangibles, net	**46,034**	52,752
Deferred charges and other assets	**32,239**	33,554
	$ 780,892	$ 794,600
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	**$ 25,470**	$ 30,635
Accrued employee compensation and benefits	**76,331**	65,267
Current deferred income tax liabilities	**84**	3,347
Income taxes payable	**2,643**	2,605
Deferred revenue	**31,675**	31,255
Other accrued expenses and current liabilities	**22,086**	25,621
Total current liabilities	**158,289**	158,730
Deferred grants	**9,529**	10,807
Long-term income tax liabilities	**25,813**	28,876
Other long-term liabilities	**11,678**	12,992
Total liabilities	**205,309**	211,405
Commitments and loss contingency (Note 16)		
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; 44,580 and 47,066 shares issued, respectively	**446**	471
Additional paid-in capital	**283,110**	302,911
Retained earnings	**288,650**	265,676
Accumulated other comprehensive income	**4,549**	15,108
Treasury stock at cost: 90 shares and 81 shares, respectively	**(1,172)**	(971)
Total shareholders' equity	**575,583**	583,195
	$ 780,892	$ 794,600

See accompanying Notes to Condensed Consolidated Financial Statements.

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

(in thousands, except per share data)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Revenues	**$ 302,544**	$ 294,455	**$ 922,614**	$ 849,572
Operating expenses:				
Direct salaries and related costs	**197,482**	190,813	**609,471**	551,156
General and administrative	**83,520**	86,821	**263,817**	276,861
Net (gain) loss on disposal of property and equipment	**(7)**	(21)	**(3,450)**	16
Impairment of goodwill and intangibles	**—**	362	**—**	362
Impairment of long-lived assets	**38**	3,103	**764**	3,103
Total operating expenses	**281,033**	281,078	**870,602**	831,498
Income from continuing operations	**21,511**	13,377	**52,012**	18,074
Other income (expense):				
Interest income	**366**	312	**968**	812
Interest (expense)	**(438)**	(1,373)	**(1,302)**	(5,239)
Other (expense)	**(356)**	(527)	**(2,189)**	(5,546)
Total other income (expense)	**(428)**	(1,588)	**(2,523)**	(9,973)
Income from continuing operations before income taxes	**21,083**	11,789	**49,489**	8,101
Income taxes	**2,969**	(2,267)	**6,225**	(1,768)
Income from continuing operations, net of taxes	**18,114**	14,056	**43,264**	9,869
(Loss) from discontinued operations, net of taxes	**—**	(410)	**—**	(3,190)
Net income	**$ 18,114**	$ 13,646	**$ 43,264**	$ 6,679
Net income (loss) per common share:				
Basic:				
Continuing operations	**$ 0.40**	$ 0.30	**$ 0.94**	$ 0.22
Discontinued operations	**—**	(0.01)	**—**	(0.07)
Net income per common share	**$ 0.40**	$ 0.29	**$ 0.94**	$ 0.15
Diluted:				
Continuing operations	**$ 0.40**	$ 0.30	**$ 0.94**	$ 0.21
Discontinued operations	**—**	(0.01)	**—**	(0.06)
Net income per common share	**$ 0.40**	$ 0.29	**$ 0.94**	$ 0.15
Weighted average common shares:				
Basic	**45,557**	46,468	**46,106**	45,889
Diluted	**45,653**	46,559	**46,202**	45,989

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, 2010,
Three Months Ended December 31, 2010 and
Nine Months Ended September 30, 2011
(Unaudited)

(in thousands)	Common Stock Shares Issued	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at January 1, 2010	41,817	$ 418	$166,514	$280,399	$ 7,819	$ (4,476)	$450,674
Issuance of common stock	2	—	34	—	—	—	34
Stock-based compensation expense	—	—	3,652	—	—	—	3,652
Excess tax benefit from stock-based compensation	—	—	360	—	—	—	360
Issuance of common stock and restricted stock under equity award plans	204	2	(1,107)	—	—	(177)	(1,282)
Repurchase of common stock	—	—	—	—	—	(5,212)	(5,212)
Retirement of treasury stock	(558)	(6)	(4,462)	(4,450)	—	8,918	—
Issuance of common stock for business acquisition	5,601	57	136,616	—	—	—	136,673
Comprehensive income	—	—	—	6,679	1,549	—	8,228
Balance at September 30, 2010	47,066	471	301,607	282,628	9,368	(947)	593,127
Issuance of common stock	—	—	3	—	—	—	3
Stock-based compensation expense	—	—	1,283	—	—	—	1,283
Excess tax (provision) from stock-based compensation	—	—	(6)	—	—	—	(6)
Issuance of common stock and restricted stock under equity award plans	—	—	24	—	—	(24)	—
Comprehensive income (loss)	—	—	—	(16,952)	5,740	—	(11,212)
Balance at December 31, 2010	47,066	471	302,911	265,676	15,108	(971)	583,195
Issuance of common stock	**—**	**—**	**191**	**—**	**—**	**—**	**191**
Stock-based compensation expense	**—**	**—**	**3,411**	**—**	**—**	**—**	**3,411**
Excess tax (provision) from stock-based compensation	**—**	**—**	**(52)**	**—**	**—**	**—**	**(52)**
Issuance of common stock and restricted stock under equity award plans	**312**	**3**	**(992)**	**—**	**—**	**(201)**	**(1,190)**
Repurchase of common stock	**—**	**—**	**—**	**—**	**—**	**(42,677)**	**(42,677)**
Retirement of treasury stock	**(2,798)**	**(28)**	**(22,359)**	**(20,290)**	**—**	**42,677**	**—**
Comprehensive income (loss)	**—**	**—**	**—**	**43,264**	**(10,559)**	**—**	**32,705**
Balance at September 30, 2011	**44,580**	**$ 446**	**$283,110**	**$288,650**	**$ 4,549**	**$ (1,172)**	**$575,583**

See accompanying Notes to Condensed Consolidated Financial Statements.

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2011 and 2010
(Unaudited)

(in thousands)	Nine Months Ended September 30, 2011	2010
Cash flows from operating activities :		
Net income	**$ 43,264**	$ 6,679
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, net	**41,630**	43,236
Impairment losses	**764**	4,004
Unrealized foreign currency transaction (gains) losses, net	**1,743**	(2,860)
Stock-based compensation expense	**3,411**	3,652
Excess tax (benefit) provision from stock-based compensation	**52**	(360)
Deferred income tax (benefit)	**(3,830)**	(8,644)
Net (gain) loss on disposal of property and equipment	**(3,450)**	16
Bad debt expense	**322**	58
Unrealized losses on financial instruments, net	**273**	377
Increase (decrease) in valuation allowance on deferred tax assets	**(1,394)**	1,588
Amortization of deferred loan fees	**439**	2,772
Net (gain) on insurance settlement	**(481)**	—
Other	**759**	426
Changes in assets and liabilities, net of acquisition:		
Receivables	**6,362**	3,301
Prepaid expenses	**(4,272)**	(410)
Other current assets	**(5,475)**	(5,500)
Deferred charges and other assets	**2,072**	1,123
Accounts payable	**(4,159)**	(3,952)
Income taxes receivable / payable	**(3,244)**	(7,542)
Accrued employee compensation and benefits	**11,615**	2,019
Other accrued expenses and current liabilities	**(5,211)**	(1,247)
Deferred revenue	**2,025**	593
Other long-term liabilities	**(3,316)**	828
Net cash provided by operating activities	**79,899**	40,157
Cash flows from investing activities:		
Capital expenditures	**(21,788)**	(21,501)
Cash paid for business acquisition, net of cash acquired	**—**	(77,174)
Proceeds from sale of property and equipment	**3,949**	23
Investment in restricted cash	**(520)**	(260)
Release of restricted cash	**—**	80,000
Proceeds from insurance settlement	**1,654**	—
Net cash (used for) investing activities	**(16,705)**	(18,912)

Sykes Enterprises, Incorporated and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2011 and 2010
(Unaudited)
(Continued)

(in thousands)	Nine Months Ended September 30, 2011	2010
Cash flows from financing activities:		
Payment of long-term debt	**—**	(75,000)
Proceeds from issuance of long-term debt	**—**	75,000
Proceeds from issuance of stock	**191**	34
Excess tax benefit (provision) from stock-based compensation	**(52)**	360
Cash paid for repurchase of common stock	**(42,677)**	(5,212)
Proceeds from grants	**81**	148
Payments on short-term debt	**—**	(85,000)
Shares repurchased for minimum tax withholding on equity awards	**(1,190)**	(1,282)
Cash paid for loan fees related to debt	**—**	(3,035)
Net cash (used for) financing activities	**(43,647)**	(93,987)
Effects of exchange rates on cash	**(4,586)**	(4,354)
Net increase (decrease) in cash and cash equivalents	**14,961**	(77,096)
Cash and cash equivalents — beginning	**189,829**	279,853
Cash and cash equivalents — ending	**$ 204,790**	$ 202,757
Supplemental disclosures of cash flow information:		
Cash paid during period for interest	**$ 787**	$ 2,431
Cash paid during period for income taxes	**$ 18,233**	$ 16,811
Non-cash transactions:		
Property and equipment additions in accounts payable	**$ 1,503**	$ 1,331
Unrealized gain on postretirement obligation in accumulated other comprehensive income (loss)	**$ 122**	$ 202
Issuance of common stock for business acquisition	**$ —**	$ 136,673

See accompanying Notes to Condensed Consolidated Financial Statements.

Sykes Enterprises, Incorporated and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Nine Months Ended September 30, 2011 and 2010
(Unaudited)

Note 1. Overview and Summary of Significant Accounting Policies

Business — Sykes Enterprises, Incorporated and consolidated subsidiaries ("SYKES" or the "Company") provides outsourced customer contact management solutions and services in the business process outsourcing arena to companies, primarily within the communications, financial services, technology/consumer, transportation and leisure, healthcare and other industries. SYKES provides flexible, high-quality outsourced customer contact management services (with an emphasis on inbound technical support and customer service), which includes customer assistance, healthcare and roadside assistance, technical support and product sales to its clients' customers. Utilizing SYKES' integrated onshore/offshore global delivery model, SYKES provides its services through multiple communication channels encompassing phone, e-mail, Internet, text messaging and chat. SYKES complements its outsourced customer contact management services with various enterprise support services in the United States that encompass services for a company's internal support operations, from technical staffing services to outsourced corporate help desk services. In Europe, SYKES also provides fulfillment services including multilingual sales order processing via the Internet and phone, payment processing, inventory control, product delivery and product returns handling. The Company has operations in two reportable segments entitled (1) the Americas, which includes the United States, Canada, Latin America, India and the Asia Pacific Rim, in which the client base is primarily companies in the United States that are using the Company's services to support their customer management needs; and (2) EMEA, which includes Europe, the Middle East and Africa.

On February 2, 2010, the Company completed the acquisition of ICT Group Inc. ("ICT"), pursuant to the Agreement and Plan of Merger, dated October 5, 2009. The Company has reflected the operating results in the Condensed Consolidated Statements of Operations since February 2, 2010. See Note 2, Acquisition of ICT, for additional information on the acquisition of this business.

In December 2010, the Company sold its Argentine operations, pursuant to stock purchase agreements, dated December 16, 2010 and December 29, 2010. The Company reflected the operating results related to the Argentine operations as discontinued operations in the Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2010. Cash flows from discontinued operations are included in the Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2010. See Note 3, Discontinued Operations, for additional information on the sale of the Argentine operations.

Basis of Presentation — 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" or "GAAP") for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for any future quarters or the year ending December 31, 2011. For further information, refer to the consolidated financial statements and notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission ("SEC"). Subsequent events or transactions have been evaluated through the date and time of issuance of the condensed consolidated financial statements. There were no material subsequent events that required recognition or disclosure in the Condensed Consolidated Financial Statements.

Principles of Consolidation — The condensed consolidated financial statements include the accounts of SYKES and its wholly-owned subsidiaries and controlled majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Recognition of Revenue — Revenue is recognized in accordance with the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 605 " *Revenue Recognition.* " The Company primarily recognizes its revenues from services as those services are performed, which is based on either a per minute, per hour, per call or

per transaction basis, under a fully executed contractual agreement and records reductions to revenues for contractual penalties and holdbacks for failure to meet specified minimum service levels and other performance based contingencies. Revenue recognition is limited to the amount that is not contingent upon delivery of any future product or service or meeting other specified performance conditions. Product sales, accounted for within fulfillment services, are recognized upon shipment to the customer and satisfaction of all obligations.

In accordance with ASC 605-25 (“ASC 605-25”), *“Revenue Recognition — Multiple-Element Arrangements”,* revenue from contracts with multiple-deliverables is allocated to separate units of accounting based on their relative fair value, if the deliverables in the contract(s) meet the criteria for such treatment. Certain fulfillment services contracts contain multiple-deliverables. Separation criteria includes whether a delivered item has value to the customer on a stand-alone basis, whether there is objective and reliable evidence of the fair value of the undelivered items and, if the arrangement includes a general right of return related to a delivered item, whether delivery of the undelivered item is considered probable and in the Company’s control. Fair value is the price of a deliverable when it is regularly sold on a stand-alone basis, which generally consists of vendor-specific objective evidence of fair value. If there is no evidence of the fair value for a delivered product or service, revenue is allocated first to the fair value of the undelivered product or service and then the residual revenue is allocated to the delivered product or service. If there is no evidence of the fair value for an undelivered product or service, the contract(s) is accounted for as a single unit of accounting, resulting in delay of revenue recognition for the delivered product or service until the undelivered product or service portion of the contract is complete. The Company recognizes revenue for delivered elements only when the fair values of undelivered elements are known, uncertainties regarding client acceptance are resolved, and there are no client-negotiated refund or return rights affecting the revenue recognized for delivered elements. Once the Company determines the allocation of revenues between deliverable elements, there are no further changes in the revenue allocation. If the separation criteria are met, revenues from these services are recognized as the services are performed under a fully executed contractual agreement. If the separation criteria are not met because there is insufficient evidence to determine fair value of one of the deliverables, all of the services are accounted for as a single combined unit of accounting. For deliverables with insufficient evidence to determine fair value, revenue is recognized on the proportional performance method using the straight-line basis over the contract period, or the actual number of operational seats used to serve the client, as appropriate. As of September 30, 2011, the Company’s fulfillment contracts with multiple-deliverables met the separation criteria as outlined in ASC 605-25 and the revenue was accounted for accordingly. The Company has no other contracts that contain multiple-deliverables as of September 30, 2011.

In October 2009, the Financial Accounting Standards Board (the “FASB”) amended the accounting standards for certain multiple-deliverable revenue arrangements. The Company adopted this guidance on a prospective basis for applicable transactions originated or materially modified since January 1, 2011, the adoption date. Since there were no such transactions executed or materially modified since adoption on January 1, 2011, there was no impact on the Company’s financial condition, results of operations and cash flows. The amended standard:

- updates guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and how the consideration should be allocated;
- requires an entity to allocate revenue in an arrangement using the best estimated selling price of deliverables if a vendor does not have vendor-specific objective evidence of selling price or third-party evidence of selling price; and
- eliminates the use of the residual method and requires an entity to allocate revenue using the relative selling price method.

Goodwill — The Company accounts for goodwill and other intangible assets under ASC 350 (“ASC 350”) " *Intangibles — Goodwill and Other.* ” The Company expects to receive future benefits from previously acquired goodwill over an indefinite period of time. Goodwill and other intangible assets with indefinite lives are not subject to amortization, but instead must be reviewed at least annually, and more frequently in the presence of certain circumstances, for impairment by applying a fair value based test. Fair value for goodwill is based on discounted cash flows, market multiples and/or appraised values, as appropriate, and an analysis of our market capitalization. Under ASC 350, the carrying value of assets is calculated at the reporting unit. If the fair value of the reporting unit is less than its carrying value, goodwill is considered impaired and an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value. As of September 30, 2011, there were no indications of impairment, as outlined in ASC 350. The Company expects to receive future benefits from previously acquired goodwill over an indefinite period of time.

Intangible Assets **—** Intangible assets, primarily customer relationships, trade names, existing technologies and covenants not to compete, are amortized using the straight-line method over their estimated useful lives which approximate the pattern in which the economic benefits of the assets are consumed. The Company periodically evaluates the recoverability of intangible assets and takes into account events or changes in circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. Fair value for intangible assets is based on discounted cash flows, market multiples and/or appraised values as appropriate. The Company does not have intangible assets with indefinite lives. As of September 30, 2011, there were no indications of impairment, as outlined by ASC 350.

Income Taxes — The Company accounts for income taxes under ASC 740 (“ASC 740”) “ *Income Taxes* ” which requires recognition of deferred tax assets and liabilities to reflect tax consequences of differences between the tax bases of assets and liabilities and their reported amounts in the accompanying Consolidated Financial Statements. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, both positive and negative, for each respective tax jurisdiction, it is more likely than not that the deferred tax assets will not be realized in accordance with the criteria of ASC 740. Valuation allowances are established against deferred tax assets due to an uncertainty of realization. Valuation allowances are reviewed each period on a tax jurisdiction by tax jurisdiction basis to analyze whether there is sufficient positive or negative evidence, in accordance with criteria of ASC 740, to support a change in judgment about the realizability of the related deferred tax assets. Uncertainties regarding expected future income in certain jurisdictions could affect the realization of deferred tax assets in those jurisdictions.

The Company evaluates tax positions that have been taken or are expected to be taken in its tax returns, and records a liability for uncertain tax positions in accordance with ASC 740. ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. First, tax positions are recognized if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, the tax position is measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement. The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes in the accompanying Condensed Consolidated Financial Statements.

Self-Insurance Programs — The Company self-insures for certain levels of workers’ compensation and, as of January 1, 2011, began self-funding the medical, prescription drug and dental benefit plans in the United States. Estimated costs of this self-insurance program are accrued at the projected settlements for known and anticipated claims. Amounts related to this self-insurance program are included in “Accrued employee compensation and benefits” and “Other long-term liabilities” in the accompanying Condensed Consolidated Balance Sheets.

Deferred Grants — Recognition of income associated with grants for land and the acquisition of property, buildings and equipment (together, “property grants”) is deferred until after the completion and occupancy of the building and title has passed to the Company, and the funds have been released from escrow. The deferred amounts for both land and building are amortized and recognized as a reduction of depreciation expense included within general and administrative costs over the corresponding useful lives of the related assets. Amounts received in excess of the cost of the building are allocated to the cost of equipment and, only after the grants are released from escrow, recognized as a reduction of depreciation expense over the weighted average useful life of the related equipment, which approximates five years. Upon sale of the related facilities, any deferred grant balance is recognized in full and is included in the gain on sale of property and equipment.

The Company receives government employment grants, primarily in the U.S., Ireland and Canada, as an incentive to create and maintain permanent employment positions for a specified time period. The grants are repayable, under certain terms and conditions, if the Company’s relevant employment levels do not meet or exceed the employment levels set forth in the grant agreements. Accordingly, grant monies received are deferred and amortized using the proportionate performance model over the required employment period.

Stock-Based Compensation **—** The Company has three stock-based compensation plans: the 2011 Equity Incentive Plan (for employees and certain non-employees), the 2004 Non-Employee Director Fee Plan (for non-employee directors), approved by the shareholders, and the Deferred Compensation Plan (for certain eligible employees). All of these plans are discussed more fully in Note 18, Stock-Based Compensation. Stock-based awards under these plans may consist of common stock, common stock units, stock options, cash-settled or stock-settled stock appreciation rights, restricted stock and other stock-based awards. The Company issues common stock and treasury

stock to satisfy stock option exercises or vesting of stock awards.

In accordance with ASC 718 ("ASC 718") " *Compensation — Stock Compensation* ", the Company recognizes in its Consolidated Statements of Operations the grant-date fair value of stock options and other equity-based compensation issued to employees and directors. Compensation expense for equity-based awards is recognized over the requisite service period, usually the vesting period, while compensation expense for liability-based awards (those usually settled in cash rather than stock) is re-measured to fair value at each balance sheet date until the awards are settled.

Fair Value of Financial Instruments — The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

- **Cash, Short-Term and Other Investments, Investments Held in Rabbi Trusts and Accounts Payable.** The carrying values for cash, short-term and other investments, investments held in rabbi trusts and accounts payable approximate their fair values.
- **Forward Currency Forward Contracts and Options.** Forward currency forward contracts and options, including premiums paid on options, are recognized at fair value based on quoted market prices of comparable instruments or, if none are available, on pricing models or formulas using current market and model assumptions, including adjustments for credit risk.

A description of the Company's policies regarding fair value measurement, in accordance with the provisions of ASC 820 ("ASC 820") " *Fair Value Measurements and Disclosures,* " is summarized below.

Fair Value Hierarchy **—** ASC 820-10-35 requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. This hierarchy requires the use of observable market data when available. These two types of inputs have created the following fair value hierarchy:

- Level 1 — Quoted prices for identical instruments in active markets.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable .

Determination of Fair Value **—** The Company generally uses quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access to determine fair value, and classifies such items in Level 1. Fair values determined by Level 2 inputs utilize inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted market prices in active markets for similar assets or liabilities, and inputs other than quoted market prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, etc. Assets or liabilities valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

The following section describes the valuation methodologies used by the Company to measure fair value, including an indication of the level in the fair value hierarchy in which each asset or liability is generally classified.

Money Market and Open-End Mutual Funds — The Company uses quoted market prices in active markets to determine the fair value of money market and open-end mutual funds, which are classified in Level 1 of the fair value hierarchy.

Foreign Currency Forward Contracts and Options — The Company enters into foreign currency forward contracts and options over the counter and values such contracts using quoted market prices of comparable instruments or, if none are available, on pricing models or formulas using current market and model assumptions, including adjustments for credit risk. The key inputs include forward or option foreign currency exchange rates and interest rates. These items are classified in Level 2 of the fair value hierarchy.

Investments Held in Rabbi Trusts — The investment assets of the rabbi trusts are valued using quoted market prices in active markets, which are classified in Level 1 of the fair value hierarchy. For additional information about the deferred compensation plan, refer to Note 8, Investments Held in Rabbi Trusts, and Note 18, Stock-Based Compensation.

Guaranteed Investment Certificates — Guaranteed investment certificates, with variable interest rates linked to the prime rate, approximate fair value due to the automatic ability to re-price with changes in the market; such items are classified in Level 2 of the fair value hierarchy.

ASC 825 ("ASC 825") " *Financial Instruments"* permits an entity to measure certain financial assets and financial liabilities at fair value with changes in fair value recognized in earnings each period. The Company has not elected to use the fair value option permitted under ASC 825 for any of its financial assets and financial liabilities that are not already recorded at fair value.

Foreign Currency Translation — The assets and liabilities of the Company's foreign subsidiaries, whose functional currency is other than the U.S. Dollar, are translated at the exchange rates in effect on the reporting date, and income and expenses are translated at the weighted average exchange rate during the period. The net effect of translation gains and losses is not included in determining net income, but is included in "Accumulated other comprehensive income (loss)" ("AOCI"), which is reflected as a separate component of shareholders' equity until the sale or until the complete or substantially complete liquidation of the net investment in the foreign subsidiary. Foreign currency transactional gains and losses are included in "Other income (expense)" in the accompanying Condensed Consolidated Statements of Operations.

Foreign Currency and Derivative Instruments — The Company accounts for financial derivative instruments under ASC 815 ("ASC 815") " *Derivatives and Hedging* ". The Company generally utilizes non-deliverable forward contracts and options expiring within one to 24 months to reduce its foreign currency exposure due to exchange rate fluctuations on forecasted cash flows denominated in non-functional foreign currencies and net investments in foreign operations. In using derivative financial instruments to hedge exposures to changes in exchange rates, the Company exposes itself to counterparty credit risk.

The Company designates derivatives as either (1) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge); (2) a hedge of a net investment in a foreign operation; or (3) a derivative that does not qualify for hedge accounting. To qualify for hedge accounting treatment, a derivative must be highly effective in mitigating the designated risk of the hedged item. Effectiveness of the hedge is formally assessed at inception and throughout the life of the hedging relationship. Even if a derivative qualifies for hedge accounting treatment, there may be an element of ineffectiveness of the hedge.

Changes in the fair value of derivatives that are highly effective and designated as cash flow hedges are recorded in AOCI, until the forecasted underlying transactions occur. Any realized gains or losses resulting from the cash flow hedges are recognized together with the hedged transaction within "Revenues". Changes in the fair value of derivatives that are highly effective and designated as a net investment hedge are recorded in cumulative translation adjustment in AOCI, offsetting the change in cumulative translation adjustment attributable to the hedged portion of the Company's net investment in the foreign operation. Any unrealized gains and losses from settlements of the net investment hedge remain in AOCI until partial or complete liquidation of the net investment. Ineffectiveness is measured based on the change in fair value of the forward contracts and options and the fair value of the hypothetical derivatives with terms that match the critical terms of the risk being hedged. Hedge ineffectiveness is recognized within "Revenues" for cash flow hedges and within "Other income (expense)" for net investment hedges. Cash flows from the derivative contracts are classified within the operating section in the accompanying Condensed Consolidated Statements of Cash Flows.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging activities. This process includes linking all derivatives that are designated as cash flow hedges to forecasted transactions. Hedges of a net investment in a foreign operation are linked to the specific foreign operation. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective on a prospective and retrospective basis. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge or if a forecasted hedge is no longer probable of occurring, the Company discontinues hedge accounting prospectively. At September 30, 2011 and December 31, 2010, all hedges were determined to be highly effective.

The Company also periodically enters into forward contracts that are not designated as hedges as defined under ASC 815. The purpose of these derivative instruments is to reduce the effects from fluctuations caused by volatility in currency exchange rates on the Company's operating results and cash flows. All changes in the fair value of the derivative instruments are included in "Other income (expense)". See Note 7, Financial Derivatives, for further information on financial derivative instruments.

New Accounting Standards Not Yet Adopted

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2011-04 ("ASU 2011-04") " *Fair Value Measurement (Topic 820) — Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ". The amendments in ASU 2011-04 result in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS"). Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The amendments in ASU 2011-04 are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011. The Company does not expect the adoption of ASU 2011-04 to materially impact its financial condition, results of operations and cash flows.

In June 2011, the FASB issued ASU 2011-05 ("ASU 2011-05") " *Comprehensive Income (Topic 220) — Presentation of Comprehensive Income* ". The amendments in ASU 2011-05 require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The amendments in ASU 2011-05 are to be applied retrospectively and are effective during interim and annual periods beginning after December 15, 2011, and may be early adopted. The Company is currently evaluating the impact of ASU 2011-05 on its financial statement presentation of comprehensive income.

In September 2011, the FASB issued ASU 2011-08 ("ASU 2011-08") " *Intangibles — Goodwill and Other (Topic 350) Testing Goodwill for Impairment* ". The amendments in ASU 2011-08 provide entities with the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. Under the amendments in ASU 2011-08, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. An entity may resume performing the qualitative assessment in any subsequent period. The amendments in ASU 2011-08 are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, and may be early adopted. The Company does not expect the adoption of ASU 2011-08 to materially impact its financial condition, results of operations, cash flows and footnote disclosures.

Note 2. Acquisition of ICT

On February 2, 2010, the Company acquired 100% of the outstanding common shares and voting interest of ICT through a merger of ICT with and into a subsidiary of the Company. ICT provides outsourced customer management and business process outsourcing solutions with its operations located in the United States, Canada, Europe, Latin America, India, Australia and the Philippines. The results of ICT's operations have been included in the Company's Condensed Consolidated Financial Statements since its acquisition on February 2, 2010. The Company acquired ICT to expand and complement its global footprint, provide entry into additional vertical markets, and increase revenues to enhance its ability to leverage the Company's infrastructure to produce improved sustainable operating margins. This resulted in the Company paying a substantial premium for ICT resulting in recognition of goodwill.

The acquisition date fair value of the consideration transferred totaled $277.8 million, which consisted of the following (in thousands):

	Total
Cash	$141,161
Common stock	136,673
	$277,834

The fair value of the 5.6 million common shares issued was determined based on the Company's closing share price of $24.40 on the acquisition date.

The cash portion of the acquisition was funded through borrowings consisting of a $75 million short-term loan from KeyBank and a $75 million Term Loan, which were paid off in March 2010 and July 2010, respectively. See Note 12, Borrowings, for further information.

The Company accounted for the acquisition in accordance with ASC 805 " *Business Combinations* ", whereby the purchase price paid was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed from ICT based on their estimated fair values as of the closing date. The Company finalized its purchase price allocation during the quarter ended December 31, 2010. The following table summarizes the estimated acquisition date fair values of the assets acquired and liabilities assumed, the measurement period adjustments that occurred during the quarter ended December 31, 2010 and the final purchase price allocation as of February 2, 2010 (in thousands):

	February 2, 2010 (As initially reported)	Measurement Period Adjustments	February 2, 2010 (As adjusted)
Cash and cash equivalents	$ 63,987	$ —	$ 63,987
Receivables	75,890	—	75,890
Income tax receivable	2,844	(1,941)	903
Prepaid expenses	4,846	—	4,846
Other current assets	4,950	149	5,099
Total current assets	152,517	(1,792)	150,725
Property and equipment	57,910	—	57,910
Goodwill	90,123	7,647	97,770
Intangibles	60,310	—	60,310
Deferred charges and other assets	7,978	(3,965)	4,013
Short-term debt	(10,000)	—	(10,000)
Accounts payable	(12,412)	(168)	(12,580)
Accrued employee compensation and benefits	(23,873)	(1,309)	(25,182)
Income taxes payable	(2,451)	2,013	(438)
Other accrued expenses and current liabilities	(10,951)	(464)	(11,415)
Total current liabilities	(59,687)	72	(59,615)
Deferred grants	(706)	—	(706)
Long-term income tax liabilities	(5,573)	(19,924)	(25,497)
Other long-term liabilities [(1)]	(25,038)	17,962	(7,076)
	$ 277,834	$ —	$ 277,834

(1) Includes primarily long-term deferred tax liabilities.

The above fair values of assets acquired and liabilities assumed were based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed. The measurement period adjustments relate primarily to unrecognized tax benefits and related offsets, tax liabilities relating to the determination as of the date of the ICT acquisition that the Company intended to distribute a majority of the accumulated and undistributed earnings of the ICT Philippine subsidiary and its direct parent, ICT Group Netherlands B.V. to SYKES, its ultimate U.S. parent, and certain accrual adjustments related to labor and benefit costs in Argentina. The measurement period adjustments were completed as of December 31, 2010.

The $97.8 million of goodwill was assigned to the Company's Americas and EMEA operating segments in the amount of $97.7 million and $0.1 million, respectively. The goodwill recognized is attributable primarily to synergies the Company expects to achieve as the acquisition increases the opportunity for sustained long-term operating margin expansion by leveraging general and administrative expenses over a larger revenue base. Pursuant to federal income tax regulations, the ICT acquisition was considered to be a non-taxable transaction; therefore, no amount of intangibles or goodwill from this acquisition will be deductible for tax purposes. The fair value of receivables acquired is $75.9 million, with the gross contractual amount being $76.4 million, of which $0.5 million was not expected to be collected.

Total net assets acquired (liabilities assumed) by operating segment as of February 2, 2010, the acquisition date, were as follows (in thousands):

	Americas	EMEA	Other	Consolidated
Net assets (liabilities)	$278,703	$ (869)	$ —	$ 277,834

Fair values are based on management's estimates and assumptions including variations of the income approach, the cost approach and the market approach. The following table presents the Company's purchased intangibles assets as of February 2, 2010, the acquisition date (in thousands):

	Amount Assigned	Weighted Average Amortization Period (years)
Customer relationships	$57,900	8
Trade name	1,000	3
Proprietary software	850	2
Non-compete agreements	560	1
	$60,310	8

After the ICT acquisition in February, 2010, the Company paid off the $10.0 million outstanding balance plus accrued interest of the ICT short-term debt assumed upon acquisition. The related interest expense included in "Interest expense" in the accompanying Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2010 was not material.

The Company's Condensed Consolidated Statement of Operations for the three months ended September 30, 2010 includes ICT revenues from continuing operations of $99.0 million and the ICT net income from continuing operations of $3.2 million. The Company's Condensed Consolidated Statement of Operations for the nine months ended September 30, 2010 includes ICT revenues from continuing operations of $259.2 million and the ICT net loss from continuing operations of $(11.4) million from the February 2, 2010 acquisition date through September 30, 2010.

The following table presents the unaudited pro forma combined revenues and net earnings as if ICT had been included in the consolidated results of the Company for the three and nine months ended September 30, 2010. The pro forma financial information is not indicative of the results of operations that would have been achieved if the acquisition and related borrowings had taken place on January 1, 2010 (in thousands):

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
Revenues	$ 294,455	$ 889,700
Income from continuing operations, net of taxes	$ 15,946	$ 33,588
Income from continuing operations per common share:		
Basic	$ 0.34	$ 0.72
Diluted	$ 0.34	$ 0.72

These amounts have been calculated to reflect the additional depreciation, amortization, and interest expense that would have been incurred assuming the fair value adjustments and borrowings occurred on January 1, 2010, together with the consequential tax effects. In addition, these amounts exclude costs incurred which are directly attributable to the acquisition, and which do not have a continuing impact on the combined companies operating results. Included in these costs are severance, advisory and legal costs, net of the consequential tax effects.

The following table presents acquisition-related costs included in "General and administrative" costs in the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2011 and 2010 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Severance costs:				
Americas	**$ —**	$ 183	**$ —**	$ 1,333
Corporate	**—**	—	**126**	13,926
	—	183	**126**	15,259
Lease termination and other costs: (1)				
Americas	**—**	2,558	**249**	2,558
EMEA	**—**	—	**523**	—
	—	2,558	**772**	2,558
Transaction and integration costs:				
Corporate	**—**	351	**13**	9,027
	—	351	**13**	9,027
Depreciation and amortization: (2)				
Americas	**2,988**	3,213	**9,040**	8,562
EMEA	**—**	9	**—**	24
	2,988	3,222	**9,040**	8,586
Total acquisition-related costs	**$ 2,988**	$ 6,314	**$ 9,951**	$ 35,430

(1) Amounts related to the Third Quarter 2010 Exit Plan and the Fourth Quarter 2010 Exit Plan. See Note 4.

(2) Depreciation resulted from the adjustment to fair values of the acquired property and equipment and amortization of the fair values of the acquired intangibles.

Note 3. Discontinued Operations

In December 2010, the Board of Directors (the "Board") of SYKES, upon the recommendation of its Finance Committee, sold its Argentine operations, which were operated through two Argentine subsidiaries: Centro Interaccion Multimedia S.A. ("CIMSA") and ICT Services of Argentina, S.A. ("ICT Argentina"), together the "Argentine operations." CIMSA and ICT Argentina were offshore contact centers providing contact center services through a total of three centers in Argentina to clients in the United States and in the Republic of Argentina. The decision to exit Argentina was made due to surging costs, primarily chronic wage increases, which dramatically reduced the appeal of the Argentina footprint among the Company's existing and new global clients and thus the overall future profitability of the Argentine operations. As these were stock transactions, the Company has no future obligation with regard to the Argentine operations and there are no material post closing obligations.

As a result of the sale of the Argentine operations, the operating results related to the Argentine operations have been reflected as discontinued operations in the Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2010. This business was historically reported by the Company as part of the Americas segment.

The results of the Argentine operations included in discontinued operations were as follows (in thousands):

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
Revenues	$ 12,495	$ 31,772
(Loss) from discontinued operations before income taxes	$ (410)	$ (3,190)
Income taxes [(1)]	—	—
(Loss) from discontinued operations, net of taxes	$ (410)	$ (3,190)

(1) There were no income taxes on the loss from discontinued operations as any tax benefit from the losses would be offset by a valuation allowance.

Note 4. Costs Associated with Exit or Disposal Activities

Third Quarter 2010 Exit Plan

During the quarter ended September 30, 2010, consistent with the Company's long-term goals to manage and optimize capacity utilization, the Company closed or committed to close four customer contact management centers in the Philippines and consolidated or committed to consolidate leased space in our Wilmington, Delaware and Newtown, Pennsylvania locations (the "Third Quarter 2010 Exit Plan"). These actions were in response to the facilities consolidation and capacity rationalization related to the ICT acquisition, enabling the Company to reduce operating costs by eliminating redundant space and to optimize capacity utilization rates where overlap exists. There are no employees affected by the Third Quarter 2010 Exit Plan. These actions were substantially completed by January 31, 2011.

The major costs incurred as a result of these actions are impairments of long-lived assets (primarily leasehold improvements) and facility-related costs (primarily consisting of those costs associated with the real estate leases) estimated at $11.0 million as of September 30, 2011 ($10.0 million as of December 31, 2010), all of which are in the Americas segment. The increase of $1.0 million during the nine months ended September 30, 2011 is primarily due to the change in assumptions related to the redeployment of property and equipment and a change in estimate of lease termination costs (none in the three months ended September 30, 2011). The Company recorded $3.8 million of the costs associated with the Third Quarter 2010 Exit Plan as non-cash impairment charges, of which $0.7 million is included in "Impairment of long-lived assets" in the accompanying Condensed Consolidated Statement of Operations for the nine months ended September 30, 2011 (see Note 5, Fair Value, for further information). The remaining $7.2 million represents cash expenditures for facility-related costs, primarily rent obligations to be paid through the remainder of the lease terms, the last of which ends in February 2017. The Company has paid $2.8 million in cash through September 30, 2011 related to these facility-related costs.

The following tables summarize the accrued liability associated with the Third Quarter 2010 Exit Plan's exit or disposal activities and related charges for the three months ended September 30, 2011 and 2010:

	Beginning Accrual at July 1, 2011	Charges for the Three Months Ended September 30, 2011 [1]	Cash Payments	Other Non-Cash Changes	Ending Accrual at September 30, 2011	Short-term [2]	Long-term [3]
Lease obligations and facility exit costs	$ 5,049	$ —	$ (627)	$ —	**$ 4,422**	$ 1,589	$ 2,833

	Beginning Accrual at July 1, 2010	Charges for the Three Months Ended September 30, 2010 [1]	Cash Payments	Other Non-Cash Changes	Ending Accrual at September 30, 2010	Short-term [2]	Long-term [3]
Lease obligations and facility exit costs	$ —	$ 2,444	$ (504)	$ —	$ 1,940	$ 929	$ 1,011

(1) During 2010, the Company recorded charges related to the initiation of the Third Quarter 2010 Exit Plan (no charges in the 2011 period).

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

(3) Included in "Other long-term liabilities" in the accompanying Condensed Consolidated Balance Sheet.

The following tables summarize the accrued liability associated with the Third Quarter 2010 Exit Plan's exit or disposal activities and related charges for the nine months ended September 30, 2011 and 2010:

	Beginning Accrual at January 1, 2011	Charges for the Nine Months Ended September 30, 2011 [1]	Cash Payments	Other Non-Cash Changes [2]	Ending Accrual at September 30, 2011
Lease obligations and facility exit costs	$ 6,141	$ 249	$ (1,973)	$ 5	**$ 4,422**

	Beginning Accrual at January 1, 2010	Charges for the Nine Months Ended September 30, 2010 [1]	Cash Payments	Other Non-Cash Changes [2]	Ending Accrual at September 30, 2010
Lease obligations and facility exit costs	$ —	$ 2,444	$ (504)	**$** —	$ 1,940

(1) During 2011, the Company recorded additional lease termination costs, which are included in "General and administrative" costs in the accompanying Condensed Consolidated Statements of Operations. During 2010, the Company recorded charges related to the initiation of the Third Quarter 2010 Exit Plan.

(2) Effect of foreign currency translation.

Fourth Quarter 2010 Exit Plan

During the quarter ended December 31, 2010, in furtherance of the Company's long-term goals to manage and optimize capacity utilization, the Company committed to and closed a customer contact management center in the United Kingdom and a customer contact management center in Ireland, both components of the EMEA segment (the "Fourth Quarter 2010 Exit Plan"). These actions further enabled the Company to reduce operating costs by eliminating additional redundant space and to optimize capacity utilization rates where overlap exists. These actions were substantially completed by January 31, 2011. None of the revenues from the United Kingdom or Ireland facilities, which were approximately $1.3 million on an annualized basis, were captured and migrated to other facilities within the region. Loss from operations of the United Kingdom and Ireland are not material to the consolidated income (loss) from continuing operations; therefore, their results of operations have not been presented

as discontinued operations in the accompanying Condensed Consolidated Statements of Operations.

The major costs incurred as a result of these actions are facility-related costs (primarily consisting of those costs associated with the real estate leases), impairments of long-lived assets (primarily leasehold improvements and equipment) and severance-related costs totaling $2.6 million as of September 30, 2011 ($2.1 million as of December 31, 2010). This increase of $0.5 million included in "General and administrative" costs in the accompanying Condensed Consolidated Statement of Operations during the nine months ended September 30, 2011 is primarily due to the change in estimate of lease termination costs (none in the three months ended September 30, 2011). The Company recorded $0.2 million of the costs associated with the Fourth Quarter 2010 Exit Plan as non-cash impairment charges. Approximately $2.2 million represents cash expenditures for facility-related costs, primarily rent obligations to be paid through the remainder of the lease terms, the last of which ends in March 2014, and $0.2 million represents cash expenditures for severance related costs. The Company has paid $0.9 million in cash through September 30, 2011 of the facility-related and severance-related costs.

The following table summarizes the accrued liability associated with the Fourth Quarter 2010 Exit Plan's exit or disposal activities and related charges for the three months ended September 30, 2011 (none in the three months ended September 30, 2010):

	Beginning Accrual at July 1, 2011	Charges for the Three Months Ended September 30, 2011	Cash Payments	Other Non-Cash Changes (1)	Ending Accrual at September 30, 2011	Short-term (2)	Long-term (3)
Lease obligations and facility exit costs	$ 1,652	$ —	$ (8)	$ (93)	**$ 1,551**	$ 1,010	$ 541

(1) Effect of foreign currency translation.

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

(3) Included in "Other long-term liabilities" in the accompanying Condensed Consolidated Balance Sheet.

The following table summarizes the accrued liability associated with the Fourth Quarter 2010 Exit Plan's exit or disposal activities and related charges for the nine months ended September 30, 2011 (none in the nine months ended September 30, 2010):

	Beginning Accrual at January 1, 2011	Charges for the Nine Months Ended September 30, 2011 (1)	Cash Payments	Other Non-Cash Changes (2)	Ending Accrual at September 30, 2011
Lease obligations and facility exit costs	$ 1,711	$ 523	$ (671)	$ (12)	**$ 1,551**

(1) During 2011, the Company recorded additional lease termination costs, which are included in "General and administrative" costs in the accompanying Condensed Consolidated Statement of Operations.

(2) Effect of foreign currency translation.

ICT Restructuring Plan

As of February 2, 2010, the Company assumed the liabilities of ICT, including restructuring accruals in connection with ICT's plans to reduce its overall cost structure and adapt to changing economic conditions by closing various customer contact management centers in Europe and Canada prior to the end of their existing lease terms (the "ICT Restructuring Plan"). These restructuring accruals, which related to ongoing lease and other contractual obligations, are expected to be paid by the end of December 2011. Since acquiring ICT in February 2010, the Company has paid $1.5 million in cash through September 30, 2011 related to the ICT Restructuring Plan.

The following tables summarize the accrued liability associated with the ICT Restructuring Plan's exit or disposal activities for the three months ended September 30, 2011 and 2010:

	Beginning Accrual at July 1, 2011	Charges for the Three Months Ended September 30, 2011	Cash Payments	Other Non-Cash Changes [1]	Ending Accrual at September 30, 2011	Short-term [2]	Long-term [3]
Lease obligations and facility exit costs	$ 507	$ —	$ (28)	$ (13)	**$ 466**	$ 466	$ —

	Beginning Accrual at July 1, 2010	Charges for the Three Months Ended September 30, 2010	Cash Payments	Other Non-Cash Changes [1]	Ending Accrual at September 30, 2010	Short-term [2]	Long-term [3]
Lease obligations and facility exit costs	$ 2,197	$ —	$ (476)	$ —	$ 1,721	$ 1,721	$ —

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(1) Effect of foreign currency translation.

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

(3) Included in "Other long-term liabilities" in the accompanying Condensed Consolidated Balance Sheets.

The following tables summarize the accrued liability associated with the ICT Restructuring Plan's exit or disposal activities for the nine months ended September 30, 2011 and 2010:

	Beginning Accrual at January 1, 2011	Charges for the Nine Months Ended September 30, 2011 [1]	Cash Payments	Other Non-Cash Changes [2]	Ending Accrual at September 30, 2011
Lease obligations and facility exit costs	$ 1,462	$ (262)	$ (721)	$ (13)	**$ 466**

	Beginning Accrual at January 1, 2010	Accrual Assumed Upon Acquisition of ICT on February 2, 2010 [1]	Cash Payments	Other Non-Cash Changes [2]	Ending Accrual at September 30, 2010
Lease obligations and facility exit costs	$ —	$ 2,197	$ (476)	$ —	$ 1,721

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(1) During 2011, the Company reversed accruals related to the final settlement of termination costs, which reduced "General and administrative" costs in the accompanying Condensed Consolidated Statements of Operations. During 2010, upon acquisition of ICT on February 2, 2010, the Company assumed ICT's restructuring accruals.

(2) Effect of foreign currency translation.

Note 5. Fair Value

The Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 subject to the requirements of ASC 820 consist of the following (in thousands):

	Balance at September 30, 2011	Fair Value Measurements at September 30, 2011 Using: Quoted Prices in Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Assets:				
Money market funds and open-end mutual funds included in "Cash and cash equivalents" (1)	$ 36,115	$ 36,115	$ —	$ —
Money market funds and open-end mutual funds in "Deferred charges and other assets" (1)	1,118	1,118	—	—
Foreign currency forward contracts (2)	3,090	—	3,090	—
Foreign currency option contracts (2)	236	—	236	—
Equity investments held in a rabbi trust for the Deferred Compensation Plan (3)	2,502	2,502	—	—
Debt investments held in a rabbi trust for the Deferred Compensation Plan (3)	1,249	1,249	—	—
Guaranteed investment certificates (4)	65	—	65	—
	$ 44,375	**$ 40,984**	**$ 3,391**	**$ —**
Liabilities:				
Foreign currency forward contracts (5)	$ 1,429	$ —	$ 1,429	$ —
	$ 1,429	**$ —**	**$ 1,429**	**$ —**

(1) In the accompanying Condensed Consolidated Balance Sheet.

(2) Included in "Other current assets" in the accompanying Condensed Consolidated Balance Sheet. See Note 7.

(3) Included in "Other current assets" in the accompanying Condensed Consolidated Balance Sheet. See Note 8.

(4) Included in "Deferred charges and other assets" in the accompanying Condensed Consolidated Balance Sheet.

(5) Included in "Other accrued expenses and current liabilities" in the accompanying Condensed Consolidated Balance Sheet. See Note 7.

The Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 subject to the requirements of ASC 820 consist of the following (in thousands):

	Balance at December 31, 2010	Fair Value Measurements at December 31, 2010 Using: Quoted Prices in Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Assets:				
Money market funds and open-end mutual funds included in "Cash and cash equivalents" [1]	$ 5,893	$ 5,893	$ —	$ —
Money market funds and open-end mutual funds in "Deferred charges and other assets" [1]	747	747	—	—
Foreign currency forward contracts [2]	1,283	—	1,283	—
Foreign currency option contracts [2]	4,951	—	4,951	—
Equity investments held in a rabbi trust for the Deferred Compensation Plan [3]	2,647	2,647	—	—
Debt investments held in a rabbi trust for the Deferred Compensation Plan [3]	789	789	—	—
U.S. Treasury Bills held in a rabbi trust for the former ICT chief executive officer [3]	118	118	—	—
Guaranteed investment certificates [4]	53	—	53	—
	$ 16,481	$ 10,194	$ 6,287	$ —
Liabilities:				
Foreign currency forward contracts [5]	$ 735	$ —	$ 735	$ —
	$ 735	$ —	$ 735	$ —

(1) In the accompanying Condensed Consolidated Balance Sheet.

(2) Included in "Other current assets" in the accompanying Condensed Consolidated Balance Sheet. See Note 7.

(3) Included in "Other current assets" in the accompanying Condensed Consolidated Balance Sheet. See Note 8.

(4) Included in "Deferred charges and other assets" in the accompanying Condensed Consolidated Balance Sheet.

(5) Included in "Other accrued expenses and current liabilities" in the accompanying Condensed Consolidated Balance Sheet. See Note 7.

Certain assets, under certain conditions, are measured at fair value on a nonrecurring basis utilizing Level 3 inputs as described in Note 1, Business, Basis of Presentation and Summary of Significant Accounting Policies, like those associated with acquired businesses, including goodwill and other intangible assets and other long-lived assets. For these assets, measurement at fair value in periods subsequent to their initial recognition would be applicable if one or more of these assets was determined to be impaired. The Company's assets measured at fair value on a nonrecurring basis (no liabilities) as of September 30, 2011 subject to the requirements of ASC 820 consist of the following (in thousands):

	Balance at September 30, 2011	Three Months Ended September 30, 2011 Total Impairment (Losses)	Nine Months Ended September 30, 2011 Total Impairment (Losses)	Balance at December 31, 2010	Three Months Ended September 30, 2010 Total Impairment (Losses)	Nine Months Ended September 30, 2010 Total Impairment (Losses)
Assets:						
Americas:						
Property and equipment, net [1]	**$ 82,435**	**$ (38)**	**$ (764)**	$ 99,089	$ (3,103)	$ (3,103)
EMEA:						
Goodwill [1]	—	—	—	—	(84)	(84)
Intangibles, net [1]	—	—	—	—	(278)	(278)
	—	—	—	—	(362)	(362)
Property and equipment, net [1]	**13,164**	—	**—**	14,614	—	—
	$ 95,599	**$ (38)**	**$ (764)**	$ 113,703	$ (3,465)	$ (3,465)

(1) See Note 1 for additional information regarding the fair value measurement.

During the three and nine months ended September 30, 2011, in connection with its periodic review for impairment, the Company determined that the carrying value of certain long-lived assets, primarily leasehold improvements, in

one of its underutilized customer contact management centers in the U.S. (a component of the Americas' segment), were no longer recoverable and recorded an impairment charge of less than $0.1 million. The impairment charge represented the amount by which the carrying value exceeded the fair value of these assets which cannot be redeployed to other locations.

In addition, during the nine months ended September 30, 2011 in connection with the Third Quarter 2010 Exit Plan within the Americas segment, as discussed more fully in Note 4, Costs Associated with Exit or Disposal Activities, the Company recorded an impairment charge of $0.7 million, resulting from a change in assumptions related to the redeployment of property and equipment.

Based on actual and forecasted operating results and deterioration of the related customer base in the Company's United Kingdom operations during the quarter ended September 30, 2010, the EMEA segment recorded an impairment loss of $0.1 million on goodwill and $0.3 million on intangibles (primarily customer relationships) during the three and nine months ended September 30, 2010.

During the three and nine months ended September 30, 2010, in connection with its periodic review for impairment, the Company determined that the carrying value of certain long-lived assets, primarily leasehold improvements, in one of its underutilized customer contact management centers in Argentina (a component of the Americas' segment), were no longer recoverable and recorded an impairment charge of $0.5 million. The impairment charge represented the amount by which the carrying value exceeded the fair value of these assets which cannot be redeployed to other locations. The Argentine operations were sold in December 2010 (See Note 3, Discontinued Operations).

In addition, during the three and nine months ended September 30, 2010 in connection with a plan to close and consolidate facilities within the Americas' segment as discussed more fully in Note 4, Costs Associated with Exit or Disposal Activities, the Company recorded an impairment charge of $3.1 million, comprised of a $2.9 million impairment of long-lived assets for leasehold improvements in certain of its underutilized customer contact management centers in the Philippines and a $0.2 million impairment of long-lived assets for leasehold improvements related to a plan to consolidate corporate leased space in the United States.

Note 6. Goodwill and Intangible Assets

The following table presents the Company's purchased intangible assets as of September 30, 2011 (in thousands):

	Gross Intangibles	Accumulated Amortization	Net Intangibles	Weighted Average Amortization Period (years)
Customer relationships	**$ 57,534**	**$ (12,137)**	**$ 45,397**	8
Trade name	**1,000**	**(556)**	**444**	3
Non-compete agreements	**560**	**(560)**	**—**	1
Proprietary software	**850**	**(657)**	**193**	2
	$ 59,944	**$ (13,910)**	**$ 46,034**	8

The following table presents the Company's purchased intangible assets as of December 31, 2010 (in thousands):

	Gross Intangibles	Accumulated Amortization	Net Intangibles	Weighted Average Amortization Period (years)
Customer relationships	$ 58,471	$ (6,839)	$ 51,632	8
Trade name	1,000	(306)	694	3
Non-compete agreements	560	(513)	47	1
Proprietary software	850	(471)	379	2
	$ 60,881	$ (8,129)	$ 52,752	8

The following table presents amortization expense, related to the purchased intangible assets resulting from acquisitions (other than goodwill), included in "General and administrative" costs in the accompanying Condensed Consolidated Statements of Operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Amortization expense	**$ 1,978**	$ 2,147	**$ 6,010**	$ 5,723

The Company's estimated future amortization expense for the five succeeding years is as follows (in thousands):

Years Ending December 31,	Amount
2011 (remaining three months)	$ 1,801
2012	7,622
2013	7,224
2014	7,162
2015	7,159
2016	7,159
2017 and thereafter	7,907

Changes in goodwill consist of the following (in thousands):

	Gross Amount	Accumulated Impairment Losses	Net Amount
Americas:			
Balance at January 1, 2011	$ 122,932	$ (629)	$ 122,303
Foreign currency translation	(2,199)	—	(2,199)
Balance at September 30, 2011	120,733	(629)	120,104
EMEA:			
Balance at January 1, 2011	84	(84)	—
Foreign currency translation	—	—	—
Balance at September 30, 2011	84	(84)	—
	$ 120,817	**$ (713)**	**$ 120,104**

Note 7. Financial Derivatives

Cash Flow Hedges — The Company had derivative assets and liabilities relating to outstanding forward contracts and options, designated as cash flow hedges, as defined under ASC 815, consisting of Philippine Peso, Canadian Dollar and Costa Rican Colones contracts. These contracts are entered into to protect against the risk that the eventual cash flows resulting from such transactions will be adversely affected by changes in exchange rates.

The deferred gains (losses) and related taxes on the Company's derivative instruments recorded in "Accumulated other comprehensive income (loss)" in the accompanying Condensed Consolidated Balance Sheets are as follows (in thousands):

	September 30, 2011	December 31, 2010
Deferred gains (losses) in AOCI	**$ (2,699)**	$ 2,674
Tax on deferred gains (losses) in AOCI	**427**	(528)
Deferred gains (losses), net of taxes in AOCI	**$ (2,272)**	$ 2,146
Deferred gains (losses) expected to be reclassified to "Revenues" from AOCI during the next twelve months	**$ (2,699)**	

Deferred gains (losses) and other future reclassifications from AOCI will fluctuate with movements in the underlying market price of the forward contracts.

Non-Designated Hedges — The Company also periodically enters into foreign currency hedge contracts that are not designated as hedges as defined under ASC 815. The purpose of these derivative instruments is to protect our interests against adverse foreign currency moves pertaining to intercompany receivables and payables, and other assets and liabilities that are denominated in currencies other than our subsidiaries functional currencies. These contracts generally do not exceed 90 days in duration.

The Company had the following outstanding foreign currency forward contracts and options (in thousands):

	As of September 30, 2011		As of December 31, 2010	
Contract Type	Notional Amount in USD	Settle Through Date	Notional Amount in USD	Settle Through Date
Cash flow hedges: [(1)]				
Options:				
Philippine Pesos	$111,500	September 2012	$ 81,100	December 2011
Forwards:				
Philippine Pesos	$ 18,500	March 2012	$ 28,000	September 2011
Canadian Dollars	$ 1,800	December 2011	$ 7,200	December 2011
Costa Rican Colones	$ 24,000	June 2012	$ —	—
Non-designated hedges: [(2)]				
Forwards	$ 55,667	March 2012	$ 57,791	February 2011

(1) Cash flow hedge as defined under ASC 815. Purpose is to protect against the risk that eventual cash flows resulting from such transactions will be adversely affected by changes in exchange rates.

(2) Foreign currency hedge contract not designated as a hedge as defined under ASC 815. Purpose is to reduce the effects on the Company's operating results and cash flows from fluctuations caused by volatility in currency exchange rates, primarily related to intercompany loan payments and cash held in non-functional currencies.

See Note 1, Business, Basis of Presentation and Summary of Significant Accounting Policies, for additional information on the Company's purpose for entering into derivatives not designated as hedging instruments and its overall risk management strategies.

As of September 30, 2011, the maximum amount of loss due to credit risk that, based on the gross fair value of the financial instruments, the Company would incur if parties to the financial instruments that make up the concentration failed to perform according to the terms of the contracts is $3.3 million.

Net Investment Hedge — During the nine months ended September 30, 2010, the Company entered into foreign exchange forward contracts to hedge its net investment in a foreign operation, as defined under ASC 815. The aggregate notional value of these hedges was $26.1 million as of September 30, 2010. The Company recorded deferred (losses) of $(3.1) million and $(2.1) million, net of taxes, for the three and nine months ended September 30, 2010, respectively, as a currency translation adjustment, a component of AOCI, offsetting foreign exchange losses attributable to the translation of the net investment. During the three and nine months ended September 30, 2010, net investment hedges settled at a loss of $1.4 million, net of taxes, included as a component of AOCI, offsetting the change in cumulative translation adjustment attributable to the hedged portion of the Company's net investment in the foreign operation. The remaining balance of net investment hedges settled at a loss of $1.2 million, net of taxes, in October, 2010. The Company did not hedge net investments in foreign operations during the nine months ended September 30, 2011.

Table of Contents

The following tables present the fair value of the Company's derivative instruments as of September 30, 2011 and December 31, 2010 included in the accompanying Condensed Consolidated Balance Sheets (in thousands):

	Derivative Assets			
	September 30, 2011		December 31, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as cash flow hedging instruments under ASC 815:				
Foreign currency forward contracts	Other current assets	**$ 215**	Other current assets	$ 1,009
Foreign currency options	Other current assets	**236**	Other current assets	4,951
		451		5,960
Derivatives not designated as hedging instruments under ASC 815:				
Foreign currency forward contracts	Other current assets	**2,875**	Other current assets	274
Total derivative assets		**$ 3,326**		$ 6,234

	Derivative Liabilities			
	September 30, 2011		December 31, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as cash flow hedging instruments under ASC 815:				
Foreign currency forward contracts	Other accrued expenses and current liabilities	**$ 495**	Other accrued expenses and current liabilities	$ 27
Foreign currency options	Other accrued expenses and current liabilities	**830**		—
		1,325		27
Derivatives not designated as hedging instruments under ASC 815:				
Foreign currency forward contracts	Other accrued expenses and current liabilities	**104**	Other accrued expenses and current liabilities	708
Total derivative liabilities		**$ 1,429**		$ 735

The following tables present the effect of the Company's derivative instruments for the three months ended September 30, 2011 and 2010 in the accompanying Condensed Consolidated Financial Statements (in thousands):

	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) September 30,		Statement of Operations Location	Gain (Loss) Reclassified From Accumulated AOCI Into Income (Effective Portion) September 30,		Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion) September 30,	
	2011	**2010**		**2011**	**2010**	**2011**	**2010**
Derivatives designated as cash flow hedging instruments under ASC 815:							
Foreign currency forward contracts	**$ (511)**	$ 1,606	Revenues	**$ 929**	$ 1,103	**$ —**	$ —
Foreign currency option contracts	**(1,482)**	2,771	Revenues	**449**	(22)	**—**	—
	(1,993)	4,377		**1,378**	1,081	**—**	—
Derivatives designated as a net investment hedge under ASC 815:							
Foreign currency forward contracts	**—**	(4,697)		**—**	—	**—**	—
	$ (1,993)	$ (320)		**$ 1,378**	$ 1,081	**$ —**	$ —

	Statement of Operations Location	Gain (Loss) Recognized in Income on Derivatives September 30,	
		2011	**2010**
Derivatives not designated as hedging instruments under ASC 815:			
Foreign currency forward contracts	Other income and (expense)	**$3,835**	$(2,307)
		$3,835	$(2,307)

The following tables present the effect of the Company's derivative instruments for the nine months ended September 30, 2011 and 2010 in the accompanying Condensed Consolidated Financial Statements (in thousands):

	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) September 30,		Statement of Operations Location	Gain (Loss) Reclassified From Accumulated AOCI Into Income September 30,		Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion) September 30,	
	2011	**2010**		**2011**	**2010**	**2011**	**2010**
Derivatives designated as cash flow hedging instruments under ASC 815:							
Foreign currency forward contracts	**$ (124)**	$ 1,917	Revenues	**$ 1,124**	$ 3,102	**$ —**	$ —
Foreign currency option contracts	**(2,809)**	1,042	Revenues	**1,306**	(75)	**—**	—
	(2,933)	2,959		**2,430**	3,027	**—**	—
Derivatives designated as a net investment hedge under ASC 815:							
Foreign currency forward contracts	**—**	(3,265)		**—**	—	**—**	—
	$ (2,933)	$ (306)		**$ 2,430**	$ 3,027	**$ —**	$ —

	Statement of Operations Location	Gain (Loss) Recognized in Income on Derivatives September 30,	
		2011	**2010**
Derivatives not designated as hedging instruments under ASC 815:			
Foreign currency forward contracts	Other income and (expense)	**$ 103**	$(3,737)
		$ 103	$(3,737)

Note 8. Investments Held in Rabbi Trusts

The Company's investments held in rabbi trusts, classified as trading securities and included in "Other current assets" in the accompanying Condensed Consolidated Balance Sheets, at fair value, consist of the following (in thousands):

	As of September 30, 2011		As of December 31, 2010	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	**$ 3,776**	**$ 3,751**	$ 3,058	$ 3,436
U.S. Treasury Bills [(1)]	**—**	**—**	118	118
	$ 3,776	**$ 3,751**	$ 3,176	$ 3,554

(1) Matured in January 2011.

The mutual funds held in the rabbi trusts were 67% equity-based and 33% debt-based as of September 30, 2011. Investment income, included in "Other income (expense)" in the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2011 and 2010 consists of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Gross realized gains from sale of trading securities	**$ 1**	$ 2	**$ 9**	$ 12
Gross realized (losses) from sale of trading securities	**(20)**	—	**(20)**	(5)
Dividend and interest income	**9**	9	**27**	22
Net unrealized holding gains (losses)	**(568)**	259	**(418)**	119
Net investment income (losses)	**$ (578)**	$ 270	**$ (402)**	$ 148

Note 9. Property and Equipment

Sale of Land and Building Located in Minot, North Dakota

In March 2011, the Company classified long-lived assets, consisting of land and a building located in Minot, North Dakota, as held for sale. These assets were classified as held for sale based on the following: management committed to a plan to sell the assets, the assets were available for immediate sale in their present condition, an active program to locate a buyer and other actions required to complete the plan to sell the assets had been initiated, the assets were being actively marketed for sale at a price that was reasonable in relation to their current fair value, it is probable that the assets would be sold in a reasonable period of time, and it was unlikely that significant changes to the plan to sell the assets would be made or that the plan would be withdrawn. Upon reclassification as held for sale, the Company discontinued depreciating these assets and amortizing the related deferred grants. These assets, previously classified as held and used with a carrying value of $0.9 million, were included in "Property and equipment" in the accompanying Condensed Consolidated Balance Sheet as of December 31, 2010. Related to these assets were deferred grants of $0.6 million, which were included in "Deferred grants" in the accompanying Condensed Consolidated Balance Sheet as of December 31, 2010.

On June 1, 2011, the Company sold the Minot assets for cash of $3.9 million (net of selling costs of $0.2 million) resulting in a net gain on sale of $3.7 million. The carrying value of these assets of $0.8 million was offset by the related deferred grants of $0.6 million. The net gain on the sale of $3.7 million is included in "Net gain on disposal of property and equipment" in the accompanying Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2011.

Tornado Damage to the Ponca City, Oklahoma Customer Contact Management Center

In April 2011, the customer contact management center (the "facility") located in Ponca City, Oklahoma experienced significant damage to its building and contents as a result of a tornado. The Company filed an insurance claim with its property insurance company to recover estimated losses of $1.5 million and expects to substantially settle the claim by December 31, 2011. During the nine months ended September 30, 2011, the insurance company paid $1.2 million to the Company for costs to clean up and repair the facility of $0.9 million and for reimbursement of a portion of the Company's out-of-pocket costs of $0.3 million. The Company completed the repairs to the building during the three months ended September 30, 2011.

Typhoon Damage to the Marikina City, the Philippines Customer Contact Management Center

In September 2009, the building and contents of one of the Company's customer contact management centers located in Marikina City, the Philippines (acquired as part of the ICT acquisition) was severely damaged by flooding from Typhoon Ondoy. Upon settlement with the insurer in November 2010, the Company recognized a net gain of $2.0 million. The damaged property and equipment had been written down by ICT prior to the ICT acquisition in February 2010. In August 2011, the Company received an additional $0.4 million from the insurer for rent payment made during the claim period. This net gain on insurance settlement is included in "General and administrative" expenses in the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2011. No additional funds are expected.

Note 10. Deferred Revenue

The components of deferred revenue consist of the following (in thousands):

	September 30, 2011	December 31, 2010
Future service	**$ 24,258**	$ 23,919
Estimated potential penalties and holdbacks	**7,417**	7,336
	$ 31,675	$ 31,255

Note 11. Deferred Grants

The components of deferred grants consist of the following (in thousands):

	September 30, 2011	December 31,2010
Property grants	**$ 8,443**	$ 9,787
Employee grants	**2,701**	2,672
Total deferred grants	**11,144**	12,459
Less: Property grants — short-term [1]	**—**	—
Less: Employee grants — short-term [1]	**1,615**	1,652
Total long-term deferred grants [2]	**$ 9,529**	$ 10,807

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

(2) Included in "Deferred grants" in the accompanying Condensed Consolidated Balance Sheets.

Amortization of the Company's deferred grants included as a reduction to "General and administrative" costs in the accompanying Condensed Consolidated Statements of Operations consist of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Amortization of property grants	**$ 235**	$ 262	**$ 723**	$ 785
Amortization of employment grants	**18**	41	**53**	61
	$ 253	$ 303	**$ 776**	$ 846

Note 12. Borrowings

The Company had no outstanding borrowings as of September 30, 2011 and December 31, 2010.

On February 2, 2010, the Company entered into a Credit Agreement (the "Credit Agreement") with a group of lenders and KeyBank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent ("KeyBank"). The Credit Agreement provides for a $75 million term loan (the "Term Loan") and a $75 million revolving credit facility, the amount which is subject to certain borrowing limitations and includes certain customary financial and restrictive covenants. The Company drew down the full $75 million Term Loan on February 2, 2010

in connection with the acquisition of ICT on such date. See Note 2, Acquisition of ICT, for further information. The Company paid off the Term Loan balance in 2010, earlier than the scheduled maturity, plus accrued interest. The Term Loan is no longer available for borrowings.

The $75 million revolving credit facility provided under the Credit Agreement includes a $40 million multi-currency sub-facility, a $10 million swingline sub-facility and a $5 million letter of credit sub-facility, which may be used for general corporate purposes including strategic acquisitions, share repurchases, working capital support, and letters of credit, subject to certain limitations. The Company is not currently aware of any inability of its lenders to provide access to the full commitment of funds that exist under the revolving credit facility, if necessary. However, there can be no assurance that such facility will be available to the Company, even though it is a binding commitment of the financial institutions. The revolving credit facility will mature on February 1, 2013.

Borrowings under the Credit Agreement bear interest at either LIBOR or the base rate plus, in each case, an applicable margin based on the Company's leverage ratio. The applicable interest rate is determined quarterly based on the Company's leverage ratio at such time. The base rate is a rate per annum equal to the greatest of (i) the rate of interest established by KeyBank, from time to time, as its "prime rate"; (ii) the Federal Funds effective rate in effect from time to time, plus 1/2 of 1% per annum; and (iii) the then-applicable LIBOR rate for one month interest periods, plus 1.00%. Swingline loans bear interest only at the base rate plus the base rate margin. In addition, the Company is required to pay certain customary fees, including a commitment fee of up to 0.75%, which is due quarterly in arrears and calculated on the average unused amount of the revolving credit facility.

In 2010, the Company paid an underwriting fee of $3.0 million for the Credit Agreement, which is deferred and amortized over the term of the loan. In addition, the Company pays a quarterly commitment fee on the Credit Agreement. The related interest expense and amortization of deferred loan fees on the Credit Agreement of $0.3 million and $0.9 million are included in "Interest expense" in the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2011, respectively. During the comparable 2010 periods, the related interest expense and amortization of deferred loan fees on the Credit Agreement were $1.1 million and $2.9 million, respectively. The $75 million Term Loan had a weighted average interest rate of 3.87% and 3.93% for the three and nine months ended September 30, 2010, respectively.

The Credit Agreement is guaranteed by all of the Company's existing and future direct and indirect material U.S. subsidiaries and secured by a pledge of 100% of the non-voting and 65% of the voting capital stock of all the direct foreign subsidiaries of the Company and those of the guarantors.

In December, 2009, Sykes (Bermuda) Holdings Limited, a Bermuda exempted company ("Sykes Bermuda") which is an indirect wholly-owned subsidiary of the Company, entered into a credit agreement with KeyBank (the "Bermuda Credit Agreement"). The Bermuda Credit Agreement provided for a $75 million short-term loan to Sykes Bermuda with a maturity date of March 31, 2010. Sykes Bermuda drew down the full $75 million on December 11, 2009. Interest was charged on outstanding amounts, at the option of Sykes Bermuda, at either a Eurodollar Rate (as defined in the Bermuda Credit Agreement) or a Base Rate (as defined in the Bermuda Credit Agreement) plus, in each case, an applicable margin specified in the Bermuda Credit Agreement. The underwriting fee paid of $0.8 million was deferred and amortized over the term of the loan. Sykes Bermuda repaid the entire outstanding amount plus accrued interest on March 31, 2010. The related interest expense and amortization of deferred loan fees of $1.4 million are included in "Interest expense" in the accompanying Condensed Consolidated Statement of Operations for the nine months ended September 30, 2010 (none in the three and nine months ended September 30, 2011 or the three months ended September 30, 2010).

Note 13. Accumulated Other Comprehensive Income (Loss)

The Company presents data in the Condensed Consolidated Statements of Changes in Shareholders' Equity in accordance with ASC 220 ("ASC 220") " *Comprehensive Income* ". ASC 220 establishes rules for the reporting of comprehensive income (loss) and its components. The components of accumulated other comprehensive income (loss) consist of the following (in thousands):

	Foreign Currency Translation Adjustment	Unrealized (Loss) on Net Investment Hedge	Unrealized Actuarial Gain (Loss) Related to Pension Liability	Unrealized Gain (Loss) on Cash Flow Hedging Instruments	Unrealized Gain (Loss) on Post Retirement Obligation	Total
Balance at January 1, 2010	$ 4,317	$ —	$ 1,207	$ 2,019	$ 276	$ 7,819
Pre-tax amount	9,790	(3,955)	(31)	4,936	104	10,844
Tax benefit	—	1,390	—	321	—	1,711
Reclassification to net loss	(7)	—	(52)	(5,173)	(34)	(5,266)
Foreign currency translation	(108)	—	65	43	—	—
Balance at December 31, 2010	13,992	(2,565)	1,189	2,146	346	15,108
Pre-tax amount	**(6,050)**	**—**	**88**	**(2,933)**	**140**	**(8,755)**
Tax benefit	**—**	**—**	**—**	**952**	**—**	**952**
Reclassification to net income	**(266)**	**—**	**(42)**	**(2,430)**	**(18)**	**(2,756)**
Foreign currency translation	**5**	**—**	**2**	**(7)**	**—**	**—**
Balance at September 30, 2011	**$ 7,681**	**$ (2,565)**	**$ 1,237**	**$ (2,272)**	**$ 468**	**$ 4,549**

Except as discussed in Note 14, Income Taxes, earnings associated with the Company's investments in its subsidiaries are considered to be permanently invested and no provision for income taxes on those earnings or translation adjustments has been provided.

Note 14. Income Taxes

The Company's effective tax rate was 14.1% and (19.2)% for the three months ended September 30, 2011, and 2010, respectively. The quarter-over-quarter variance in the effective tax rate is primarily due to tax benefits recognized in the 2010 comparable period as a result of the ICT legal entity reorganization. The difference between the Company's effective tax rate of 14.1% as compared to the U.S. statutory federal income tax rate of 35.0% was primarily due to the recognition of tax benefits resulting from income earned in certain tax holiday jurisdictions, losses in jurisdictions for which tax benefits either can or cannot be recognized, adjustments of valuation allowances, changes in unrecognized tax positions, foreign withholding taxes and permanent differences.

The Company's effective tax rate was 12.6% and (21.8)% for the nine months ended September 30, 2011 and 2010, respectively. The year-over-year variance in the effective tax rate is primarily due to tax benefits recognized in the 2010 comparable period as a result of the ICT legal entity reorganization and tax benefits recognized on losses related to ICT acquisition-related costs incurred in 2010. The difference between the Company's effective tax rate of 12.6% as compared to the U.S. statutory federal income tax rate of 35.0% was primarily due to the recognition of tax benefits resulting from income earned in certain tax holiday jurisdictions, losses in jurisdictions for which tax benefits either can or cannot be recognized, adjustments of valuation allowances, changes in unrecognized tax positions, foreign withholding taxes and permanent differences.

The liability for unrecognized tax benefits is recorded as "Long-term income tax liabilities" in the accompanying Condensed Consolidated Balance Sheets. The Company has accrued $16.7 million at September 30, 2011, and $21.0 million at December 31, 2010, excluding penalties and interest. The $4.3 million decrease relates primarily to a favorable resolution of a tax audit and foreign exchange rate fluctuations.

Generally, earnings associated with the investments in our subsidiaries are considered to be permanently invested and provisions for income taxes on those earnings or translation adjustments are not recorded. However in 2010, the Company changed its intent to distribute current earnings from various foreign operations to their foreign parents to take advantage of the December 2010 Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (the "Tax Relief Act"), which includes the extension until December 31, 2011 of Internal Revenue Code Section 954(c)(6). The Tax Relief Act permits continued tax deferral on such distributions that would otherwise be

taxable immediately in the United States. While the distributions are not taxable in the United States, related foreign withholding taxes have been accrued in the Condensed Consolidated Balance Sheets.

In addition, the U.S. Department of the Treasury released the "General Explanations of the Administration's Fiscal Year 2012 Revenue Proposals" in February 2011. These proposals represent a significant shift in international tax policy, which may materially impact U.S. taxation of international earnings. The Company continues to monitor these proposals and is currently evaluating their potential impact on its financial condition, results of operations, and cash flows. Determination of any unrecognized deferred tax liability for temporary differences related to investments in foreign subsidiaries that are essentially permanent in nature is not practicable.

The Canadian tax authority is currently auditing tax years 2003 through 2006 and 2007 through 2009. The German tax authority is currently auditing tax periods 2005 through 2007. In the Philippines, the Company is being audited by the Philippine tax authorities for tax years 2007, 2008 and 2010. The Company's Indian subsidiary is currently under examination in India for fiscal tax years 2004 through 2007. As of September 30, 2011, the Company believes it has adequately accrued for these audits.

Note 15. 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, stock appreciation rights, restricted stock, common stock units and shares held in a rabbi trusts using the treasury stock method.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Basic:				
Weighted average common shares outstanding	**45,557**	46,468	**46,106**	45,889
Diluted:				
Dilutive effect of stock options, stock appreciation rights, restricted stock, common stock units and shares held in a rabbi trust	**96**	91	**96**	100
Total weighted average diluted shares outstanding	**45,653**	46,559	**46,202**	45,989
Anti-dilutive shares excluded from the diluted earnings per share calculation [1]	**849**	779	**705**	328

(1) Impact of outstanding options to purchase shares of common stock and stock appreciation rights were anti-dilutive and were excluded from the calculation of diluted earnings per share.

On August 5, 2002, the Company's Board authorized the Company to purchase up to 3.0 million shares of its outstanding common stock (the "2002 Share Repurchase Program"). All available shares under the 2002 Share Repurchase Program have been repurchased. On August 18, 2011, the Company's Board authorized the Company to purchase up to 5.0 million shares of its outstanding common stock (the "2011 Share Repurchase Program"). A total of 2.0 million shares have been repurchased under the 2011 Share Repurchase Program since inception. The shares are purchased, from time to time, through open market purchases or in negotiated private transactions, and the purchases are based on factors, including but not limited to, the stock price and general market conditions. The 2011 Share Repurchase Program has no expiration date.

The shares repurchased during the three and nine months ended September 30, 2011 and 2010 were as follows (in thousands, except per share amounts):

	Total Number of Shares Repurchased	Range of Prices Paid Per Share Low	Range of Prices Paid Per Share High	Total Cost of Shares Repurchased
Three Months Ended:				
September 30, 2011	2,498	$ 12.46	$ 16.10	$ 37,165
September 30, 2010	—	—	—	$ —
Nine Months Ended:				
September 30, 2011	2,798	$ 12.46	$ 18.53	$ 42,677
September 30, 2010	300	$ 16.92	$ 17.60	$ 5,212

During the nine months ended September 30, 2011, the Company cancelled 2.8 million shares of its Treasury stock and recorded reductions of less than $0.1 million to “Common stock”, $22.4 million to “Additional paid-in capital”, $20.3 million to “Retained earnings” and $42.7 million to “Treasury stock”. During the nine months ended September 30, 2010, the Company cancelled 0.6 million shares of its Treasury stock and recorded reductions of $4.5 million to “Additional paid-in capital”, $4.4 million to “Retained earnings” and $8.9 million to “Treasury stock”.

Note 16. Commitments and Loss Contingency

Purchase Commitments

During the nine months ended September 30, 2011, the Company entered into several agreements with third-party vendors in the ordinary course of business whereby the Company committed to purchase goods and services used in its normal operations. These agreements, which are not cancelable, range from one to four year periods and contain fixed or minimum annual commitments. Certain of these agreements allow for renegotiation of the minimum annual commitments based on certain conditions.

The following is a schedule of future minimum purchase commitments under these agreements as of September 30, 2011 (in thousands):

	Amount
2011 (remaining three months)	**$ 3,434**
2012	**2,350**
2013	**1,459**
2014	**343**
2015	**—**
2016	**—**
2017 and thereafter	**—**
Total minimum payments required	**$ 7,586**

Except for the contractual obligations mentioned above, there have not been any material changes to the Company’s outstanding contractual obligations from the disclosure in the Company’s Annual Report on Form 10-K for the year ended December 31, 2010.

Loss Contingency

The Company has previously disclosed three pending matters involving regulatory sanctions assessed against the Company’s Spanish subsidiary. All three matters relate to the alleged inappropriate acquisition of personal information in connection with two outbound client contracts. In connection with the appeal of one of these claims, the Company issued a bank guarantee, which is included as restricted cash of $0.4 million in “Deferred charges and other assets” in the accompanying Condensed Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010. Based upon the opinion of legal counsel regarding the likely outcome of these three matters, the Company accrued a liability in the amount of $1.3 million under ASC 450 “ *Contingencies* ” because management believed that a loss was probable and the amount of the loss could be reasonably estimated. During the quarter ended December 31, 2010, the Spanish Supreme Court ruled in the Company’s favor in one of the three subject claims. Accordingly, the Company has reversed the accrual in the amount of $0.5 million related to that particular claim.

The accrued liability included in “Other accrued expenses and current liabilities” in the accompanying Condensed Consolidated Balance Sheets was $0.8 million as of September 30, 2011 and December 31, 2010. One of the other two claims has been finally decided against the Company on procedural grounds, and the final claim remains on appeal to the Spanish Supreme Court.

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

Note 17. Defined Benefit Pension Plan and Postretirement Benefits

Defined Benefit Pension Plans

The following table provides information about the net periodic benefit cost for the pension plans for the three and nine months ended September 30, 2011 and 2010 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Service cost	**$ 65**	$ 18	**$ 148**	$ 53
Interest cost	**26**	17	**76**	50
Recognized actuarial (gains)	**(14)**	(13)	**(42)**	(38)
Net periodic benefit cost	**$ 77**	$ 22	**$ 182**	$ 65

Employee Retirement Savings Plans

The Company maintains a 401(k) plan covering defined employees who meet established eligibility requirements. Under the plan provisions, the Company matches 50% of participant contributions to a maximum matching amount of 2% of participant compensation. The Company’s contributions for the three and nine months ended September 30, 2011 and 2010 included in the accompanying Condensed Consolidated Statement of Operations were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
401(k) plan contributions	**$ 208**	$ 239	**$ 770**	$ 607

In connection with the acquisition of ICT in February 2010, the Company assumed ICT’s profit sharing plan (Section 401(k)). Under this profit sharing plan, the Company matches 50% of employee contributions for all qualified employees, as defined, up to a maximum of 6% of the employee’s compensation; however, it may also make additional contributions to the plan based upon profit levels and other factors. No contributions were made during the three and nine months ended September 30, 2011 and 2010. Employees are fully vested in their contributions, while full vesting in the Company’s contributions occurs upon death, disability, retirement or completion of five years of service.

Split-Dollar Life Insurance Arrangement

In 1996, the Company entered into a split-dollar life insurance arrangement to benefit the former Chairman and Chief Executive Officer of the Company. Under the terms of the arrangement, the Company retained a collateral interest in the policy to the extent of the premiums paid by the Company. Effective January 1, 2008, the Company recorded a $0.5 million liability for a post-retirement benefit obligation related to this arrangement, which was accounted for as a reduction to the January 1, 2008 balance of retained earnings in accordance with ASC 715-60 " *Defined Benefit Plans — Other Postretirement* ”.

The post-retirement benefit obligation included in “Other long-term liabilities” as of September 30, 2011 and December 31, 2010 in the accompanying Condensed Consolidated Balance Sheets is as follows (in thousands):

	September 30,2011	December 31,2010
Post-retirement benefit obligation	**$ 120**	$ 186

The Company has an unrealized gain of $0.5 million and $0.3 million as of September 30, 2011 and December 31, 2010, respectively, due to changes in discount rates related to the post-retirement obligation, which was recorded in “Accumulated other comprehensive income” in the accompanying Condensed Consolidated Balance Sheets.

Note 18. Stock-Based Compensation

The Company’s stock-based compensation plans include the 2011 Equity Incentive Plan, the 2004 Non-Employee Director Fee Plan and the Deferred Compensation Plan.

The following table summarizes the stock-based compensation expense (primarily in the Americas), income tax benefits related to the stock-based compensation and excess tax benefits (provision) recorded by the Company for the three and nine months ended September 30, 2011 and 2010 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Stock-based compensation expense [1]	**$ 798**	$ 743	**$ 3,411**	$ 3,652
Income tax benefits [2]	**$ 311**	$ 290	**$ 1,330**	$ 1,424
Excess tax benefits (provision) from the exercise of stock options [3]	**$ (87)**	$ —	**$ (52)**	$ 360

(1) Included in “General and administrative” costs in the accompanying Condensed Consolidated Statements of Operations.

(2) Included in “Income taxes” in the accompanying Condensed Consolidated Statements of Operations.

(3) Included in “Additional paid-in capital” in the accompanying Condensed Consolidated Statements of Changes in Shareholder’s Equity.

There were no capitalized stock-based compensation costs at September 30, 2011 and December 31, 2010.

2011 Equity Incentive Plan — The Board adopted the Sykes Enterprises, Incorporated 2011 Equity Incentive Plan (the “2011 Plan”) on March 23, 2011. The Board subsequently amended the 2011 Plan on May 11, 2011 to reduce the number of shares of common stock available under the 2011 Plan from 5.7 million shares to 4.0 million shares. The 2011 Plan was approved by the shareholders at the May 2011 Annual Meeting. The 2011 Plan replaced and superseded the Company’s 2001 Equity Incentive Plan (the “2001 Plan”), which expired on March 14, 2011. The outstanding awards granted under the 2001 Plan will remain in effect until their exercise, expiration, or termination. The 2011 Plan permits the grant of stock options, stock appreciation rights and other stock-based awards to certain employees of the Company, and certain non-employees who provide services to the Company, for up to 4.0 million shares of common stock in order to encourage them to remain in the employment of or to faithfully provide services to the Company and to increase their interest in the Company’s success.

Stock Options — The following table summarizes stock option activity as of September 30, 2011 and for the nine months then ended:

Stock Options	Shares (000s)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (000s)
Outstanding at January 1, 2011	43	$ 8.54		
Granted	—	$ —		
Exercised	20	$ 9.55		
Forfeited or expired	—	$ —		
Outstanding at September 30, 2011	**23**	**$ 7.67**	**1.0**	**$ 170**
Vested or expected to vest at September 30, 2011	**23**	**$ 7.67**	**1.0**	**$ 170**
Exercisable at September 30, 2011	**23**	**$ 7.67**	**1.0**	**$ 170**

No stock options were granted during the nine months ended September 30, 2011 and 2010. The following table summarizes information regarding the exercise of stock options for the nine months ended September 30, 2011 and 2010 (in thousands):

	Nine Months Ended September 30,	
	2011	**2010**
Number of stock options exercised	**20**	2
Intrinsic value of stock options exercised	**$ 71**	$ 25
Cash received upon exercise of stock options	**$ 191**	$ 8

All options were fully vested as of December 31, 2006 and there is no unrecognized compensation cost as of September 30, 2011 related to the options (the effect of estimated forfeitures is not material).

Stock Appreciation Rights — The fair value of each SAR is estimated on the date of grant using the Black-Scholes valuation model that uses various assumptions. The fair value of the SARs is expensed on a straight-line basis over the requisite service period. Expected volatility is based on the historical volatility of the Company's stock. The risk-free rate for periods within the contractual life of the award is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the award is granted with a maturity equal to the expected term of the award. Exercises and forfeitures are estimated within the valuation model using employee termination and other historical data. The expected term of the SARs granted represents the period of time the SARs are expected to be outstanding.

The following table summarizes the assumptions used to estimate the fair value of SARs granted during the nine months ended September 30, 2011 and 2010:

	Nine Months Ended September 30,	
	2011	**2010**
Expected volatility	44.3%	45.2%
Weighted-average volatility	44.3%	45.2%
Expected dividends	—	—
Expected term (in years)	4.6	4.4
Risk-free rate	2.0%	2.4%

The following table summarizes SARs activity as of September 30, 2011 and for the nine months then ended:

Stock Appreciation Rights	Shares (000s)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (000s)
Outstanding at January 1, 2011	442	$ —		
Granted	215	$ —		
Exercised	—	$ —		
Forfeited or expired	—	$ —		
Outstanding at September 30, 2011	**657**	**$ —**	**7.8**	**$ 10**
Vested or expected to vest at September 30, 2011	**657**	**$ —**	**7.8**	**$ 10**
Exercisable at September 30, 2011	**296**	**$ —**	**6.6**	**$ 10**

The following table summarizes the weighted average grant-date fair value of the SARs granted and the total intrinsic value of the SARs exercised during the nine months ended September 30, 2011 and 2010 (in thousands, except per SAR amounts):

	Nine Months Ended September 30,	
	2011	2010
Weighted average grant-date fair value per SAR	**$ 7.10**	$ 10.21
Intrinsic value of SARs exercised	**$ —**	$ 591

The following table summarizes the status of nonvested SARs as of September 30, 2011 and for the nine months then ended:

Nonvested Stock Appreciation Rights	Shares (000s)	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2011	293	$ 8.63
Granted	215	$ 7.10
Vested	(146)	$ 8.18
Forfeited or expired	—	$ —
Nonvested at September 30, 2011	**362**	$ 7.90

As of September 30, 2011, there was $2.0 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested SARs. This cost is expected to be recognized over a weighted average period of 1.9 years. SARs that vested during the nine months ended September 30, 2010 had a fair value of $0.6 million as of the vesting date (none during the nine months ended September 30, 2011).

Restricted Shares — The following table summarizes the status of nonvested Restricted Shares/RSUs as of September 30, 2011 and for the nine months then ended:

Nonvested Restricted Shares / RSUs	Shares (000s)	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2011	587	$ 20.30
Granted	295	$ 18.67
Vested	(187)	$ 18.01
Forfeited or expired	—	$ —
Nonvested at September 30, 2011	**695**	$ 20.22

The following table summarizes the weighted average grant-date fair value of the Restricted Shares/RSUs granted and the total fair value of the Restricted Shares/RSUs that vested during the nine months ended September 30, 2011 and 2010 (in thousands, except per Restricted Share/RSU amounts):

	Nine Months Ended September 30,	
	2011	**2010**
Weighted average grant-date fair value per Restricted Share/RSU	**$ 18.67**	$ 23.88
Fair value of Restricted Stock/RSUs vested	**$ 3,920**	$ 4,223

As of September 30, 2011, based on the probability of achieving the performance goals, there was $11.0 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested Restricted Shares/RSUs. This cost is expected to be recognized over a weighted average period of 1.7 years.

Other Awards — The following table summarizes the status of common stock units ("CSUs") as of September 30, 2011 and for the nine months then ended:

Nonvested Common Stock Units	Shares (000s)	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2011	66	$ 20.33
Granted	44	$ 18.67
Vested	(26)	$ 18.11
Forfeited or expired	—	$ —
Nonvested at September 30, 2011	**84**	$ 20.15

A CSU is a bookkeeping entry on the Company's books that records the equivalent of one share of common stock. Until a CSU vests, the participant has none of the rights of a shareholder with respect to the CSU or the common stock underlying the CSU. CSUs are not transferable.

The following table summarizes the weighted average grant-date fair value of the CSUs granted and the total fair value of the CSUs that vested during the nine months ended September 30, 2011 and 2010 (in thousands, except per CSU amounts):

	Nine Months Ended September 30,	
	2011	**2010**
Weighted average grant-date fair value per CSU	**$ 18.67**	$ 23.88
Fair value of CSUs vested	**$ 472**	$ 552

As of September 30, 2011, there was $1.4 million of total unrecognized compensation costs, net of estimated forfeitures, related to nonvested CSUs. This cost is expected to be recognized over a weighted average period of 1.9 years.

2004 Non-Employee Director Fee Plan — The Company's 2004 Non-Employee Director Fee Plan (the "2004 Fee Plan") provides that all new non-employee directors joining the Board will receive an initial grant of shares of common stock on the date the new director is elected or appointed, the number of which will be determined by dividing $60,000 by the closing price of the Company's common stock on the trading day immediately preceding the date a new director is elected or appointed, rounded to the nearest whole number of shares. The initial grant of shares vests in twelve equal quarterly installments, one-twelfth on the date of grant and an additional one-twelfth on each successive third monthly anniversary of the date of grant. The award lapses with respect to all unvested shares in the event the non-employee director ceases to be a director of the Company, and any unvested shares are forfeited.

The 2004 Fee Plan also provides that each non-employee director will receive, on the day after the annual shareholders meeting, an annual retainer for service as a non-employee director (the "Annual Retainer"). The Annual Retainer consists of shares of the Company's common stock and cash. Prior to May 20, 2011, the total value of the Annual Retainer was $77,500, payable $32,500 in cash and the remainder paid in stock, the amount of

which was determined by dividing $45,000 by the closing price of the Company's common stock on the date of the annual meeting of shareholders, rounded to the nearest whole number of shares. On May 20, 2011, upon the recommendation of the Compensation and Human Resource Development Committee, the Board adopted the Fourth Amended and Restated 2004 Non-Employee Director Fee Plan, which increased the cash component of the Annual Retainer by $17,500, resulting in a total Annual Retainer of $95,000, of which $50,000 is payable in cash, and the remainder paid in stock. The method of calculating the number of shares constituting the equity portion of the Annual Retainer remained unchanged.

In addition to the Annual Retainer award, the 2004 Fee Plan also provides for any non-employee Chairman of the Board to receive an additional annual cash award of $100,000, and each non-employee director serving on a committee of the Board to receive an additional annual cash award. The additional annual cash award for the Chairperson of the Audit Committee is $20,000 and Audit Committee members' are entitled to an annual cash award of $10,000. Prior to May 20, 2011, the annual cash awards for the Chairpersons of the Compensation and Human Resource Development Committee, Finance Committee and Nominating and Corporate Governance Committee were $12,500 and the members of such committees were entitled to an annual cash award of $7,500. On May 20, 2011, the Board increased the additional annual cash award to the Chairperson of the Compensation and Human Resource Development Committee to $15,000. All other additional cash awards remained unchanged.

The annual grant of cash, including all amounts paid to a non-employee Chairman of the Board and all amounts paid to non-employee directors serving on committees of the Board, vests in four equal quarterly installments, one-fourth on the day following the annual meeting of shareholders, and an additional one-fourth on each successive third monthly anniversary of the date of grant. The annual grant of shares paid to non-employee directors vests in eight equal quarterly installments, one-eighth on the day following the annual meeting of shareholders, and an additional one-eighth on each successive third monthly anniversary of the date of grant. The award lapses with respect to all unpaid cash and unvested shares in the event the non-employee director ceases to be a director of the company, and any unvested shares and unpaid cash are forfeited.

The Board may pay additional cash compensation to any non-employee director for services on behalf of the Board over and above those typically expected of directors, including but not limited to service on a special committee of the Board.

Prior to 2008, the grants were comprised of CSUs rather than shares of common stock. A CSU is a bookkeeping entry on the Company's books that records the equivalent of one share of common stock.

The following table summarizes the status of the nonvested CSUs and share awards under the 2004 Fee Plan as of September 30, 2011 and for the nine months then ended:

Nonvested Common Stock Units and Share Awards	Shares (000s)	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2011	18	$ 18.67
Granted	21	$ 21.83
Vested	(17)	$ 19.47
Forfeited or expired	—	$ —
Nonvested at September 30, 2011	**22**	$ 21.08

The following table summarizes the weighted average grant-date fair value of the CSUs and share awards granted and the total fair value of the CSUs and share awards that vested during the nine months ended September 30, 2011 and 2010 (in thousands, except per CSU/share award amounts):

	Nine Months Ended September 30,	
	2011	2010
Weighted average grant-date fair value per CSU/share award	**$ 21.83**	$ 19.11
Fair value of CSUs/share awards vested	**$ 320**	$ 345

As of September 30, 2011, there was $0.4 million of total unrecognized compensation costs, net of estimated forfeitures, related to nonvested CSUs granted since March 2008 under the Plan. This cost is expected to be recognized over a weighted average period of 1.2 years.

Deferred Compensation Plan — The Company's non-qualified Deferred Compensation Plan (the "Deferred Compensation Plan"), which is not shareholder-approved, provides certain eligible employees the ability to defer any portion of their compensation until the participant's retirement, termination, disability or death, or a change in control of the Company. Deferred compensation amounts used to pay benefits, which are held in a rabbi trust, include investments in various mutual funds (see Note 8, Investments Held in Rabbi Trusts) and shares of the Company's common stock. As of September 30, 2011 and December 31, 2010, liabilities of $3.8 million and $3.4 million, respectively, of the Deferred Compensation Plan were recorded in "Accrued employee compensation and benefits" in the accompanying Condensed Consolidated Balance Sheets.

Additionally, the Company's common stock match associated with the Deferred Compensation Plan, with a carrying value of approximately $1.2 million and $1.0 million at September 30, 2011 and December 31, 2010, respectively, is included in "Treasury stock" in the accompanying Condensed Consolidated Balance Sheets.

The following table summarizes the status of the nonvested common stock issued under the Deferred Compensation Plan as of September 30, 2011 and for the nine months then ended:

Nonvested Common Stock	Shares (000s)	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2011	8	$ 18.00
Granted	10	$ 19.19
Vested	(9)	$ 18.57
Forfeited or expired	—	$ —
Nonvested at September 30, 2011	**9**	$ 18.37

The following table summarizes the weighted average grant-date fair value of the common stock awarded, the total fair value of the common stock that vested and the cash used to settle the Company's obligation under the Deferred Compensation Plan during the nine months ended September 30, 2011 and 2010 (in thousands, except per common stock amounts):

	Nine Months Ended September 30,	
	2011	2010
Weighted average grant-date fair value per common stock	**$ 19.19**	$ 18.74
Fair value of common stock vested	**$ 141**	$ 108
Cash used to settle the obligation	**$ —**	$ 32

As of September 30, 2011, there was $0.2 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested common stock granted under the Deferred Compensation Plan. This cost is expected to be recognized over a weighted average period of 3.9 years.

Note 19. Segments and Geographic Information

The Company operates within two regions, the Americas and EMEA. Each region represents a reportable segment comprised of aggregated regional operating segments, which portray similar economic characteristics. The Company aligns its business into two segments to effectively manage the business and support the customer care needs of every client and to respond to the demands of the Company's global customers.

The reportable segments consist of (1) the Americas, which includes the United States, Canada, Latin America, India and the Asia Pacific Rim, and provides outsourced customer contact management solutions (with an emphasis on technical support and customer service) and technical staffing and (2) EMEA, which includes Europe, the Middle East and Africa, and provides outsourced customer contact management solutions (with an emphasis on technical support and customer service) and fulfillment services. The sites within Latin America, India and the Asia Pacific Rim are included in the Americas segment given the nature of the business and client profile, which is primarily made up of U.S.-based companies that are using the Company's services in these locations to support their customer contact management needs.

Information about the Company's reportable segments for the three and nine months ended September 30, 2011 and 2010 is as follows (in thousands):

	Americas	EMEA	Other [(1)]	Consolidated
Three Months Ended September 30, 2011:				
Revenues [(2)]	**$ 241,481**	**$ 61,063**		**$ 302,544**
Percentage of revenues	**79.8%**	**20.2%**		**100.0%**
Depreciation and amortization [(2)]	**$ 11,954**	**$ 1,410**		**$ 13,364**
Income (loss) from continuing operations	**$ 30,950**	**$ 1,322**	**$ (10,761)**	**$ 21,511**
Other (expense), net			**(428)**	**(428)**
Income taxes			**(2,969)**	**(2,969)**
Income from continuing operations, net of taxes				**18,114**
(Loss) from discontinued operations, net of taxes	**$ —**	**$ —**		**—**
Net income				**$ 18,114**
Total assets as of September 30, 2011	**$1,150,752**	**$1,174,224**	**$(1,544,084)**	**$ 780,892**
Three Months Ended September 30, 2010:				
Revenues [(2)]	$ 241,353	$ 53,102		$ 294,455
Percentage of revenues	82.0%	18.0%		100.0%
Depreciation and amortization [(2)]	$ 13,180	$ 1,323		$ 14,503
Income (loss) from continuing operations	$ 25,321	$ (2,547)	$ (9,397)	$ 13,377
Other (expense), net			(1,588)	(1,588)
Income taxes			2,267	2,267
Income from continuing operations, net of taxes				14,056
(Loss) from discontinued operations, net of taxes	$ (410)	$ —		(410)
Net income				$ 13,646
Total assets as of September 30, 2010	$1,399,185	$1,103,969	$(1,671,707)	$ 831,447

	Americas	EMEA	Other [1]	Consolidated
Nine Months Ended September 30, 2011:				
Revenues [2]	**$735,558**	**$187,056**		**$ 922,614**
Percentage of revenues	**79.7%**	**20.3%**		**100.0%**
Depreciation and amortization [2]	**$ 37,317**	**$ 4,313**		**$ 41,630**
Income (loss) from continuing operations	**$ 89,353**	**$ (1,547)**	**$(35,794)**	**$ 52,012**
Other (expense), net			**(2,523)**	**(2,523)**
Income taxes			**(6,225)**	**(6,225)**
Income from continuing operations, net of taxes				**43,264**
(Loss) from discontinued operations, net of taxes	**$ —**	**$ —**		**—**
Net income				**$ 43,264**
Nine Months Ended September 30, 2010:				
Revenues [2]	$683,571	$166,001		$ 849,572
Percentage of revenues	80.5%	19.5%		100.0%
Depreciation and amortization [2]	$ 37,108	$ 3,959		$ 41,067
Income (loss) from continuing operations	$ 78,378	$ (7,161)	$(53,143)	$ 18,074
Other (expense), net			(9,973)	(9,973)
Income taxes			1,768	1,768
(Loss) from continuing operations, net of taxes				9,869
(Loss) from discontinued operations, net of taxes	$ (3,190)	$ —		(3,190)
Net (loss)				$ 6,679

(1) Other items (including corporate costs, provision for regulatory penalties, impairment costs, other income and expense, and income taxes) 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, 2011 and 2010. 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, 2010. 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) Revenues and depreciation and amortization include results from continuing operations only.

Note 20. Related Party Transactions

The Company paid John H. Sykes, the founder, former Chairman and Chief Executive Officer of the Company and the father of Charles Sykes, President and Chief Executive Officer of the Company, $0.1 million for the use of his private jet during the nine months ended September 30, 2010, which is based on two times fuel costs and other actual costs incurred for each trip (less than $0.1 million in the three months ended September 30, 2010 and none in the comparable 2011 periods).

The Company also paid John H. Sykes $0.1 million, which represents the cost for the purchase of his share of the refundable deposit on a sports stadium suite, during the nine months ended September 30, 2010 (none in the three months ended September 30, 2010 or the comparable 2011 periods).

In January 2008, the Company entered into a lease for a customer contact management center located in Kingstree, South Carolina. The landlord, Kingstree Office One, LLC, is an entity controlled by John H. Sykes. The lease payments on the 20 year lease were negotiated at or below market rates, and the lease is cancellable at the option of the Company. There are significant penalties for early cancellation which decrease over time. The Company paid $0.1 million and $0.3 million to the landlord during the three and nine months ended September 30, 2011, respectively, and the same amounts during the three and nine months ended September 30, 2010, respectively, under the terms of the lease.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Sykes Enterprises, Incorporated
400 North Ashley Drive
Tampa, Florida

We have reviewed the accompanying condensed consolidated balance sheet of Sykes Enterprises, Incorporated and subsidiaries (the "Company") as of September 30, 2011, and the related condensed consolidated statements of operations for the three-month and nine-month periods ended September 30, 2011 and 2010, of changes in shareholders' equity for the nine-month periods ended September 30, 2011 and 2010 and three-month period ended December 31, 2010, and of cash flows for the nine-month periods ended September 30, 2011 and 2010. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), 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 reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim 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 the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2010, 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 March 8, 2011, 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, 2010 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP
Certified Public Accountants

Tampa, Florida
November 8, 2011

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 the consolidated financial statements and notes in the Sykes Enterprises, Incorporated ("SYKES," "our," "we" or "us") Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission ("SEC").

Our 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 SYKES, our beliefs, and assumptions made by us. In addition, we may make other written or oral statements, which constitute forward-looking statements, from time to time. Words such as "believe," "estimate," "project," "expect," "intend," "may," "anticipate," "plan," "seek," variations of such words, and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe our 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. Our 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 we undertake 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 impact of economic recessions in the U.S. and other parts of the world, (ii) fluctuations in global business conditions and the global economy, (iii) currency fluctuations, (iv) the timing of significant orders for our products and services, (v) variations in the terms and the elements of services offered under our standardized contract including those for future bundled service offerings, (vi) changes in applicable accounting principles or interpretations of such principles, (vii) difficulties or delays in implementing our bundled service offerings, (viii) failure to achieve sales, marketing and other objectives, (ix) construction delays of new or expansion of existing customer contact management centers, (x) delays in our ability to develop new products and services and market acceptance of new products and services, (xi) rapid technological change, (xii) loss or addition of significant clients, (xiii) political and country-specific risks inherent in conducting business abroad, (xiv) our ability to attract and retain key management personnel, (xv) our ability to continue the growth of our support service revenues through additional technical and customer contact management centers, (xvi) our ability to further penetrate into vertically integrated markets, (xvii) our ability to expand our global presence through strategic alliances and selective acquisitions, (xviii) our ability to continue to establish a competitive advantage through sophisticated technological capabilities, (xix) the ultimate outcome of any lawsuits, (xx) our ability to recognize deferred revenue through delivery of products or satisfactory performance of services, (xxi) our dependence on trend toward outsourcing, (xxii) risk of interruption of technical and customer contact management center operations due to such factors as fire, earthquakes, inclement weather and other disasters, power failures, telecommunication failures, unauthorized intrusions, computer viruses and other emergencies, (xxiii) the existence of substantial competition, (xxiv) the early termination of contracts by clients, (xxv) the ability to obtain and maintain grants and other incentives (tax or otherwise), (xxvi) the potential of cost savings/synergies associated with the ICT acquisition not being realized, or not being realized within the anticipated time period, (xxvii) risks related to the integration of the businesses of SYKES and ICT and (xxviii) other risk factors which are identified in our most recent Annual Report on Form 10-K, including factors identified under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Overview

We provide an array of sophisticated customer contact management solutions to a wide range of clients including Fortune 1000 companies, medium-sized businesses, and public institutions around the world, primarily in the communications, financial services, technology/consumer, transportation and leisure, healthcare and other industries. We serve our clients through two geographic operating regions: the Americas (United States, Canada, Latin America, India and the Asia Pacific Rim) and EMEA (Europe, the Middle East and Africa). Our Americas and EMEA groups primarily provide customer contact management services (with an emphasis on inbound technical support and customer service), which include customer assistance, healthcare and roadside assistance, technical support and product sales to our client's customers. These services, which represented 98% of consolidated revenues during the three and nine months ended September 30, 2011, are delivered through multiple communication channels encompassing phone, e-mail, Internet, text messaging and chat. We also provide various enterprise support services in the United States ("U.S.") that include services for our client's internal support operations, from technical

staffing services to outsourced corporate help desk services. In Europe, we also provide fulfillment services including multilingual sales order processing via the Internet and phone, payment processing, inventory control, product delivery, and product returns handling. Our complete service offering helps our clients acquire, retain and increase the lifetime value of their customer relationships. We have developed an extensive global reach with customer contact management centers throughout the United States, Canada, Europe, Latin America, Asia, India and Africa.

Acquisition of ICT

On February 2, 2010, we completed the acquisition of ICT Group Inc. ("ICT"), a Pennsylvania corporation and a leading global provider of outsourced customer management and BPO solutions. We refer to such acquisition herein as the "ICT acquisition."

As a result of the ICT acquisition on February 2, 2010,

- each outstanding share of ICT's common stock, par value $0.01 per share, was converted into the right to receive $7.69 in cash, without interest, and 0.3423 of a share of SYKES common stock, par value $0.01 per share;
- each outstanding ICT stock option, whether or not then vested and exercisable, became fully vested and exercisable immediately prior to, and then was canceled at, the effective time of the acquisition, and the holder of such option became entitled to receive an amount in cash, without interest and less any applicable taxes to be withheld, equal to (i) the excess, if any, of (1) $15.38 over (2) the exercise price per share of ICT common stock subject to such ICT stock option, multiplied by (ii) the total number of shares of ICT common stock underlying such ICT stock option, with the aggregate amount of such payment rounded up to the nearest cent. If the exercise price was equal to or greater than $15.38, then the stock option was canceled without any payment to the stock option holder; and
- each outstanding ICT restricted stock unit ("RSU") became fully vested and then was canceled and the holder of such vested awards became entitled to receive $15.38 in cash, without interest and less any applicable taxes to be withheld, in respect of each share of ICT common stock into which the RSU would otherwise have been convertible.

The total aggregate purchase price of the transaction of $277.8 million was comprised of $141.1 million in cash and 5.6 million shares of SYKES common stock valued at $136.7 million. The transaction was funded through borrowings consisting of a $75 million short-term loan from KeyBank National Association ("KeyBank") in December, 2009, due and paid on March 31, 2010, and a $75 million term loan from a syndicate of banks due in varying installments through February 1, 2013 (the "Term Loan"). The outstanding balance due under the $75 million Term Loan was repaid during the quarter ended September 30, 2010, and the Term Loan is no longer available for borrowings. See "Liquidity & Capital Resources" later in this Item 2 and Note 12, Borrowings, of "Notes to Condensed Consolidated Financial Statements" for further information.

The results of operations of ICT have been reflected in our Condensed Consolidated Statement of Operations since February 2, 2010.

Discontinued Operations

In December 2010, we sold our Argentine operations, pursuant to stock purchase agreements, dated December 16, 2010 and December 29, 2010. We reflected the operating results related to the Argentine operations as discontinued operations in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2010. This business was historically reported as part of the Americas segment. See Note 3, Discontinued Operations, of "Notes to Condensed Consolidated Financial Statements" for additional information on the sale of the Argentine operations.

See "Results of Operations — (Loss) from Discontinued Operations" in this Item 2 for more information. Unless otherwise noted, discussions below pertain only to our continuing operations.

Results of Operations

The following table sets forth, for the periods indicated, certain data derived from our 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,	
	2011	**2010**	**2011**	**2010**
Revenues	**$ 302,544**	$ 294,455	**$ 922,614**	$ 849,572
Percentage of revenues	**100.0%**	100.0%	**100.0%**	100.0%
Direct salaries and related costs	**$ 197,482**	$ 190,813	**$ 609,471**	$ 551,156
Percentage of revenues	**65.3%**	64.8%	**66.1%**	64.9%
General and administrative	**$ 83,520**	$ 86,821	**$ 263,817**	$ 276,861
Percentage of revenues	**27.6%**	29.5%	**28.6%**	32.6%
Net (gain) loss on disposal of property and equipment	**$ (7)**	$ (21)	**$ (3,450)**	$ 16
Percentage of revenues	**0.0%**	0.0%	**(0.4)%**	0.0%
Impairment of goodwill and intangibles	**$ —**	$ 362	**$ —**	$ 362
Percentage of revenues	**0.0%**	0.1%	**0.0%**	0.0%
Impairment of long-lived assets	**$ 38**	$ 3,103	**$ 764**	$ 3,103
Percentage of revenues	**0.0%**	1.1%	**0.1%**	0.4%
Income from continuing operations	**$ 21,511**	$ 13,377	**$ 52,012**	$ 18,074
Percentage of revenues	**7.1%**	4.5%	**5.6%**	2.1%

The following table summarizes our revenues for the periods indicated, by reporting segment (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011		**2010**		**2011**		**2010**	
Americas	**$241,481**	**79.8%**	$241,353	82.0%	**$735,558**	**79.7%**	$683,571	80.5%
EMEA	**61,063**	**20.2%**	53,102	18.0%	**187,056**	**20.3%**	166,001	19.5%
Consolidated	**$302,544**	**100.0%**	$294,455	100.0%	**$922,614**	**100.0%**	$849,572	100.0%

The following table summarizes the amounts and percentage of revenues for direct salaries and related costs, general and administrative costs and impairment of long-lived assets for the periods indicated, by reporting segment (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011		2010		2011		2010	
Direct salaries and related costs:								
Americas	**$152,827**	**63.3%**	$150,194	62.2%	**$468,331**	**63.7%**	$423,878	62.0%
EMEA	**44,655**	**73.1%**	40,619	76.5%	**141,140**	**75.5%**	127,278	76.7%
Consolidated	**$197,482**	**65.3%**	$190,813	64.8%	**$609,471**	**66.1%**	$551,156	64.9%
General and administrative:								
Americas	**$ 57,674**	**23.9%**	$ 62,756	26.0%	**$180,549**	**24.5%**	$178,203	26.1%
EMEA	**15,085**	**24.7%**	14,668	27.6%	**47,474**	**25.4%**	45,515	27.4%
Corporate	**10,761**	**—**	9,397	—	**35,794**	**—**	53,143	—
Consolidated	**$ 83,520**	**27.6%**	$ 86,821	29.5%	**$263,817**	**28.6%**	$276,861	32.6%
Net (gain) loss on disposal of property and equipment:								
Americas	**$ (8)**	**0.0%**	$ (21)	0.0%	**$ (3,439)**	**(0.5)%**	$ 9	0.0%
EMEA	**1**	**0.0%**	—	0.0%	**(11)**	**0.0%**	7	0.0%
Consolidated	**$ (7)**	**0.0%**	$ (21)	0.0%	**$ (3,450)**	**(0.4)%**	$ 16	0.0%
Impairment of goodwill and intangibles:								
Americas	**$ —**	**0.0%**	$ —	0.0%	**$ —**	**0.0%**	$ —	0.0%
EMEA	**—**	**0.0%**	362	0.7%	**—**	**0.0%**	362	0.2%
Consolidated	**$ —**	**0.0%**	$ 362	0.1%	**$ —**	**0.0%**	$ 362	0.0%
Impairment of long-lived assets:								
Americas	**$ 38**	**0.0%**	$ 3,103	1.3%	**$ 764**	**0.1%**	$ 3,103	0.5%
EMEA	**—**	**0.0%**	—	0.0%	**—**	**0.0%**	—	0.0%
Consolidated	**$ 38**	**0.0%**	$ 3,103	1.1%	**$ 764**	**0.1%**	$ 3,103	0.4%

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Revenues

For the three months ended September 30, 2011, we recognized consolidated revenues of $302.5 million, an increase of $8.0 million or 2.7%, from $294.5 million of consolidated revenues for the comparable period in 2010.

On a geographic segment basis, revenues from the Americas region, including the United States, Canada, Latin America, India and the Asia Pacific Rim, represented 79.8%, or $241.5 million, for the three months ended September 30, 2011 compared to 82.0%, or $241.4 million, for the comparable period in 2010. Revenues from the EMEA region, including Europe, the Middle East and Africa represented 20.2%, or $61.0 million, for the three months ended September 30, 2011 compared to 18.0%, or $53.1 million, for the comparable period in 2010.

America's revenues increased $0.1 million, including the positive foreign currency impact of $5.2 million, for the three months ended September 30, 2011 from the comparable period in 2010, principally due to new client programs and higher volumes within new and certain existing clients. Revenues from our offshore operations represented 48.9% of Americas' revenues, compared to 47.7% for the same period in 2010. While operating margins generated offshore are generally comparable to those in the United States, our ability to maintain these offshore operating margins longer term is difficult to predict due to potential increased competition for the available workforce, the trend of higher occupancy costs and costs of functional currency fluctuations in offshore markets. We weight these factors in our focus to re-price or replace certain sub-profitable target client programs.

EMEA's revenues increased $8.0 million, including the positive foreign currency impact of $4.5 million, for the three months ended September 30, 2011 from the comparable period in 2010, principally due to new client programs, higher volumes within new and certain existing clients and the recognition of previously deferred revenue.

Direct Salaries and Related Costs

Direct salaries and related costs increased $6.7 million, or 3.5%, to $197.5 million for the three months ended September 30, 2011 from $190.8 million in the comparable period in 2010.

On a reporting segment basis, direct salaries and related costs from the Americas segment increased $2.6 million, including the negative foreign currency impact of $5.3 million, for the three months ended September 30, 2011 from the comparable period in 2010. Direct salaries and related costs from the EMEA segment increased $4.1 million, including the negative foreign currency impact of $3.4 million, for the three months ended September 30, 2011 from the comparable period in 2010.

In the Americas segment, as a percentage of revenues, direct salaries and related costs increased to 63.3% for the three months ended September 30, 2011 from 62.2% in same period in 2010. This increase of 1.1%, as a percentage of revenues, was primarily attributable to higher compensation costs of 1.0% (primarily related to lower volumes within certain existing clients without a commensurate reduction in labor costs) and higher other costs of 0.1%.

In the EMEA segment, as a percentage of revenues, direct salaries and related costs decreased to 73.1% for the three months ended September 30, 2011 from 76.5% in the same period of 2010. This decrease of 3.4%, as a percentage of revenues, was primarily attributable to lower severance costs of 3.9% due to the closure of certain sites in connection with the Fourth Quarter 2010 Exit Plan (See Note 4, Costs Associated with Exit or Disposal Activities, of "Notes to Condensed Consolidated Financial Statements"), lower travel costs of 0.5% and lower billable supply costs of 0.5%, partially offset by higher fulfillment material costs of 0.7%, higher compensation costs of 0.2% and higher other costs of 0.6%.

General and Administrative

General and administrative expenses decreased $3.3 million, or 3.8%, to $83.5 million for the three months ended September 30, 2011 from $86.8 million in the comparable period in 2010.

On a reporting segment basis, general and administrative expenses from the Americas segment decreased $5.1 million, including the negative foreign currency impact of $1.6 million, for the three months ended September 30, 2011 from the comparable period in 2010. General and administrative expenses from the EMEA segment increased $0.4 million, including the negative foreign currency impact of $1.1 million, for the three months ended September 30, 2011 from the comparable period in 2010. Corporate general and administrative expenses increased $1.4 million for the three months ended September 30, 2011 from the comparable period in 2010. This increase of $1.4 million was primarily attributable to higher compensation costs of $0.7 million, higher legal and professional fees of $0.4 million, higher software maintenance of $0.2 million and higher other costs of $0.5 million, partially offset by lower merger and acquisition costs of $0.4 million.

In the Americas segment, as a percentage of revenues, general and administrative expenses decreased to 23.9% for the three months ended September 30, 2011 from 26.0% in the comparable period in 2010. This decrease of 2.1%, as a percentage of revenues, was primarily attributable to lower merger and acquisition costs of 1.1% due to decreased activity in 2011, lower depreciation of 0.5%, lower insurance costs of 0.3% resulting from favorable negotiations of policy renewals and lower equipment and maintenance costs of 0.2%.

In the EMEA segment, as a percentage of revenues, general and administrative expenses decreased to 24.7% for the three months ended September 30, 2011 from 27.6% in the comparable period in 2010. This decrease of 2.9%, as a percentage of revenues, was primarily attributable to lower facility-related costs of 1.0% due to the closure of certain sites in connection with the Fourth Quarter 2010 Exit Plan (See Note 4, Costs Associated with Exit or Disposal Activities, of "Notes to Condensed Consolidated Financial Statements"), lower compensation costs of 0.7% (primarily related to near-shore migration to new facilities in Egypt, Romania and Germany in 2010), lower travel costs of 0.5%, lower legal and professional fees of 0.4% and lower other costs of 0.3%.

Impairment of Goodwill and Intangibles

We make certain estimates and assumptions, including, among other things, an assessment of market conditions and projections of cash flows, investment rates and cost of capital and growth rates when estimating the value of our intangibles. Based on actual and forecasted operating results and deterioration of the related customer base in our ICT-acquired United Kingdom operations during the quarter ended September 30, 2010, the EMEA segment recorded an impairment loss of $0.4 million on goodwill and intangibles (primarily customer relationships) during the three months ended September 30, 2010 (none in the comparable 2011 period).

Impairment of Long-Lived Assets

During the three months ended September 30, 2010, in connection with the Third Quarter 2010 Exit Plan (See Note 4, Costs Associated with Exit or Disposal Activities, of “Notes to Condensed Consolidated Financial Statements”) within the Americas segment, we recorded a $3.1 million impairment charge for long-lived assets, primarily leasehold improvements, in the Americas’ segment, including the Philippines and the United States (less than $0.1 million in the comparable 2011 period). The impairment charges represent the amount by which the carrying value of the assets exceeded the estimated fair value of those assets which cannot be redeployed to other locations.

Interest Income

Interest income was $0.4 million for the three months ended September 30, 2011, compared to $0.3 million in the same period in 2010. The increase of $0.1 million reflects higher average balances of interest bearing investments in cash and cash equivalents.

Interest (Expense)

Interest expense was $0.4 million for the three months ended September 30, 2011, compared to $1.4 million in the same period in 2010. The decrease of $1.0 million reflects interest and fees on higher average levels of borrowings related to the acquisition of ICT in the 2010 period.

Other Income (Expense)

Other income (expense), net, was $(0.3) million for the three months September 30, 2011, compared to $(0.5) million in the same period in 2010. The net decrease in other income (expense), net of $0.2 million was primarily attributable to an increase of $6.1 million in forward currency contract gains (which were not designated as hedging instruments), partially offset by an increase of $5.0 million in realized and unrealized foreign currency transaction losses, net of gains, and an increase of $0.9 million in other miscellaneous expense, net. Other income (expense) excludes the cumulative translation effects and unrealized gains (losses) on financial derivatives that are included in “Accumulated other comprehensive income” in shareholders’ equity in the accompanying Condensed Consolidated Balance Sheets.

Income Taxes

Income tax expense of $3.0 million for the three months ended September 30, 2011 was based upon pre-tax book income of $21.1 million. The income tax benefit of $2.3 million for the three months ended September 30, 2010 was based upon pre-tax book income of $11.8 million. The effective tax rate for the three months ended September 30, 2011 was 14.1% compared to an effective tax rate of (19.2)% for the comparable 2010 period. The quarter-over-quarter variance in the effective tax rate is primarily due to tax benefits recognized in the 2010 comparable period as a result of the ICT legal entity reorganization.

(Loss) from Discontinued Operations

During December 2010, we sold our Argentine operations. We accounted for this transaction in accordance with ASC 205-20 (“ASC 205-20”) “ *Discontinued Operations* ”, and, accordingly, we reclassified the results of operations for the three and nine months ended September 30, 2010. The loss from discontinued operations, net of taxes, totaled $(0.4) million for the three months ended September 30, 2010.

Net Income (Loss)

As a result of the foregoing, we reported income from continuing operations for the three months ended September 30, 2011

of $21.5 million, an increase of $8.1 million from the comparable period in 2010. This increase was principally attributable to an $8.0 million increase in revenues, a $3.3 million decrease in general and administrative expenses, a decrease in impairment of goodwill and intangibles of $0.4 million and a decrease in the impairment of long-lived assets of $3.1 million, partially offset by a $6.7 million increase in direct salaries and related costs. In addition to the $8.1 million increase in income from continuing operations, we experienced an increase in interest income of $0.1 million, a decrease in interest (expense) of $1.0 million, a $0.2 million decrease in other income (expense), net, and a decrease of $0.4 million of loss from discontinued operations, partially offset by an increase of $5.3 million in income taxes, resulting in net income of $18.1 million for the three months ended September 30, 2011, an increase of $4.5 million compared to the same period in 2010.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Revenues

For the nine months ended September 30, 2011, we recognized consolidated revenues of $922.6 million, an increase of $73.0 million or 8.6%, from $849.6 million of consolidated revenues for the comparable period in 2010.

On a geographic segment basis, revenues from the Americas region, including the United States, Canada, Latin America, India and the Asia Pacific Rim, represented 79.7%, or $735.6 million, for the nine months ended September 30, 2011 compared to 80.5%, or $683.6 million, for the comparable period in 2010. Revenues from the EMEA region, including Europe, the Middle East and Africa represented 20.3%, or $187.1 million, for the nine months ended September 30, 2011 compared to 19.5%, or $166.0 million, for the comparable period in 2010.

America's revenues increased $52.0 million, including the positive foreign currency impact of $13.9 million, for the nine months ended September 30, 2011 from the comparable period in 2010, principally due to higher acquisition-related revenues of $25.0 million, new client programs and higher volumes within new and certain existing clients. Revenues from our offshore operations represented 47.4% of Americas' revenues, compared to 47.9% for the same period in 2010. While operating margins generated offshore are generally comparable to those in the United States, our ability to maintain these offshore operating margins longer term is difficult to predict due to potential increased competition for the available workforce, the trend of higher occupancy costs and costs of functional currency fluctuations in offshore markets. We weight these factors in our focus to re-price or replace certain sub-profitable target client programs.

EMEA's revenues increased $21.1 million, including the positive foreign currency impact of $12.5 million, for the nine months ended September 30, 2011 from the comparable period in 2010, principally due to new client programs and higher volumes within new and certain existing clients. This $21.1 million increase is net of a $1.0 million decrease in revenues due to the closure of certain sites in connection with the Fourth Quarter 2010 Exit Plan (See Note 4, Costs Associated with Exit or Disposal Activities, of "Notes to Condensed Consolidated Financial Statements").

Direct Salaries and Related Costs

Direct salaries and related costs increased $58.3 million, or 10.6%, to $609.5 million for the nine months ended September 30, 2011 from $551.2 million in the comparable period in 2010.

On a reporting segment basis, direct salaries and related costs from the Americas segment increased $44.4 million, including the negative foreign currency impact of $17.0 million, for the nine months ended September 30, 2011 from the comparable period in 2010. Direct salaries and related costs from the EMEA segment increased $13.9 million, including the negative foreign currency impact of $9.4 million, for the nine months ended September 30, 2011 from the comparable period in 2010.

In the Americas segment, as a percentage of revenues, direct salaries and related costs increased to 63.7% for the nine months ended September 30, 2011 from 62.0% in same period in 2010. This increase of 1.7%, as a percentage of revenues, was primarily attributable to higher compensation costs of 1.8% (primarily related to lower volumes within certain existing clients without a commensurate reduction in labor costs) and higher other costs of 0.2%, partially offset by lower communication costs of 0.3%.

In the EMEA segment, as a percentage of revenues, direct salaries and related costs decreased to 75.5% for the nine months ended September 30, 2011 from 76.7% in the same period of 2010. This decrease of 1.2%, as a percentage

of revenues, was primarily attributable to lower severance costs of 1.7% due to the closure of certain sites in connection with the Fourth Quarter 2010 Exit Plan (See Note 4, Costs Associated with Exit or Disposal Activities, of "Notes to Condensed Consolidated Financial Statements"), lower billable supply costs of 0.4% and lower travel costs of 0.3%, partially offset by higher communication costs of 0.4%, higher fulfillment costs of 0.4% and higher other costs of 0.4%.

General and Administrative

General and administrative expenses decreased $13.1 million, or 4.7%, to $263.8 million for the nine months ended September 30, 2011 from $276.9 million for the same period in 2010.

On a reporting segment basis, general and administrative expenses from the Americas segment increased $2.3 million, including the negative foreign currency impact of $5.4 million, for the nine months ended September 30, 2011 from the comparable period in 2010. General and administrative expenses from the EMEA segment increased $2.0 million, including the negative foreign currency impact of $3.0 million, for the nine months ended September 30, 2011 from the comparable period in 2010. Corporate general and administrative expenses decreased $17.4 million for the nine months ended September 30, 2011 from the comparable period in 2010. This decrease of $17.4 million was primarily attributable to lower merger and acquisition costs of $21.8 million, partially offset by higher compensation costs of $1.6 million, higher charitable contributions of $1.2 million, higher legal and professional fees of $0.9 million, higher software maintenance of $0.4 million and higher other costs of $0.3 million.

In the Americas segment, as a percentage of revenues, general and administrative expenses decreased to 24.5% for the nine months ended September 30, 2011 from 26.1% in the comparable period in 2010. This decrease of 1.6%, as a percentage of revenues, was primarily attributable to lower merger and acquisition costs of 0.5%, lower depreciation costs of 0.3%, lower compensation costs of 0.2%, lower insurance costs of 0.2%, lower other taxes of 0.2% and lower other costs of 0.2%.

In the EMEA segment, as a percentage of revenues, general and administrative expenses decreased to 25.4% for the nine months ended September 30, 2011 from 27.4% in the comparable period in 2010. This decrease of 2.0%, as a percentage of revenues, was primarily attributable to lower compensation costs of 0.8% (primarily related to near-shore migration to new facilities in Egypt, Romania and Germany in 2010), lower facility-related costs of 0.8% due to the closure of certain sites in connection with the Fourth Quarter 2010 Exit Plan (See Note 4, Costs Associated with Exit or Disposal Activities, of "Notes to Condensed Consolidated Financial Statements"), lower travel costs of 0.3%, lower legal and professional fees of 0.2% and lower other costs of 0.2%, partially offset by higher merger and acquisition costs of 0.3%.

Net (Gain) Loss on Disposal of Property and Equipment

Net (gain) loss on disposal of property and equipment was $(3.5) million for the nine months ended September 30, 2011, primarily due to the gain on the sale of land and a building located in Minot, North Dakota (less than $0.1 million net loss in the comparable 2010 period).

Impairment of Goodwill and Intangibles

We make certain estimates and assumptions, including, among other things, an assessment of market conditions and projections of cash flows, investment rates and cost of capital and growth rates when estimating the value of our intangibles. Based on actual and forecasted operating results and deterioration of the related customer base in our ICT-acquired United Kingdom operations during the quarter ended September 30, 2010, the EMEA segment recorded an impairment loss of $0.4 million on goodwill and intangibles (primarily customer relationships) during the nine months ended September 30, 2010 (none in the comparable 2011 period).

Impairment of Long-Lived Assets

During the nine months ended September 30, 2011, in connection with the Third Quarter 2010 Exit Plan (See Note 4, Costs Associated with Exit or Disposal Activities, of "Notes to Condensed Consolidated Financial Statements") within the Americas segment, we recorded an impairment charge of $0.8 million, resulting primarily from a change in assumptions related to the redeployment of property and equipment. During the nine months ended September 30, 2010, in connection with the Third Quarter 2010 Exit Plan, we recorded a $3.1 million impairment charge for long-lived assets, primarily leasehold improvements, in the Americas' segment, including the Philippines and the

United States. The impairment charges represent the amount by which the carrying value of the assets exceeded the estimated fair value of those assets which cannot be redeployed to other locations.

Interest Income

Interest income was $1.0 million for the nine months ended September 30, 2011, compared to $0.8 million in the same period in 2010. The increase of $0.2 million reflects higher average balances of interest bearing investments in cash and cash equivalents.

Interest (Expense)

Interest expense was $1.3 million for the nine months ended September 30, 2011, compared to $5.2 million in the same period in 2010. The decrease of $3.9 million reflects interest and fees on higher average levels of borrowings related to the acquisition of ICT in the 2010 period.

Other Income (Expense)

Other income (expense), net, was $(2.2) million for the nine months ended September 30, 2011, compared to $(5.6) million in the same period in 2010. The net decrease in other income (expense), net, of $3.4 million was primarily attributable to an increase of $3.8 million in forward currency contract gains (which were not designated as hedging instruments) and a decrease of $0.2 million in realized and unrealized foreign currency transaction losses, net of gains, partially offset by an increase of $0.6 million in other miscellaneous expense, net. Other income (expense) excludes the cumulative translation effects and unrealized gains (losses) on financial derivatives that are included in "Accumulated other comprehensive income" in shareholders' equity in the accompanying Condensed Consolidated Balance Sheets.

Income Taxes

Income tax expense of $6.2 million for the nine months ended September 30, 2011 reflects the recognition of $3.2 million and $1.4 million of tax benefits primarily related to the favorable resolution of a tax audit and a net reversal of valuation allowances, respectively. The tax expense was based upon pre-tax book income of $49.5 million. The income tax benefit of $1.8 million for the nine months ended September 30, 2010 includes tax benefits recognized on losses related to acquisition-related costs, and was based upon pre-tax book income of $8.1 million. The effective tax rate for the nine months ended September 30, 2011 was 12.6% compared to an effective tax rate of (21.8)% for the comparable 2010 period. The year-over-year variance in the effective tax rate is primarily due to tax benefits recognized in the 2010 comparable period as a result of the ICT legal entity reorganization and tax benefits recognized on losses related to ICT acquisition-related costs incurred in 2010.

(Loss) from Discontinued Operations

During December 2010, we sold our Argentine operations. We accounted for this transaction in accordance with ASC 205-20 ("ASC 205-20") "*Discontinued Operations* ", and, accordingly, we reclassified the results of operations for the three and nine months ended September 30, 2010. The loss from discontinued operations, net of taxes, totaled $3.2 million for the nine months ended September 30, 2010.

Net Income (Loss)

As a result of the foregoing, we reported income from continuing operations for the nine months ended September 30, 2011 of $52.0 million, an increase of $33.9 million from the comparable period in 2010. This increase was principally attributable to a $73.0 million increase in revenues, a $13.1 million decrease in general and administrative expenses, a $3.4 million increase in net (gain) on disposal of property and equipment, a decrease in impairment of goodwill and intangibles of $0.4 million and a decrease in the impairment of long-lived assets of $2.3 million, partially offset by a $58.3 million increase in direct salaries and related costs. In addition to the $33.9 million increase in income from continuing operations, we experienced an increase in interest income of $0.2 million, a decrease in interest (expense) of $3.9 million, a $3.4 million decrease in other income (expense), net, and a decrease of $3.2 million of loss from discontinued operations, partially offset by an increase of $8.0 million in income taxes, resulting in net income of $43.3 million for the nine months ended September 30, 2011, an increase of $36.6 million compared to the same period in 2010.

Client Concentration

Our top ten clients accounted for approximately 44.9% and 43.4%, respectively, of our consolidated revenues in the three and nine months ended September 30, 2011, up from approximately 42.7% and 41.5%, respectively, of our consolidated revenues in the three and nine months ended September 30, 2010.

Total consolidated revenues included $33.6 million, or 11.1%, and $100.7 million, or 10.9%, of consolidated revenues, for the three and nine months ended September 30, 2011, respectively, from AT&T Corporation, a major provider of communication services for which we provide various customer support services over several distinct lines of AT&T business. This included $32.8 million and $98.2 million in revenue from the Americas for the three and nine months ended September 30, 2011, respectively, and $0.8 million and $2.5 million in revenue from EMEA for the three and nine months ended September 30, 2011, respectively. Our next largest client accounted for $16.6 million, or 5.5%, and $48.4 million, or 5.2%, of consolidated revenues, for the three and nine months ended September 30, 2011.

The consolidated revenues for the comparable periods as it relates to this relationship were $38.1 million, or 12.9%, and $115.6 million, or 13.6%, of consolidated revenues, for the three and nine months ended September 30, 2010, respectively. This included $37.0 million and $110.4 million in revenue from the Americas for the three and nine months ended September 30, 2010, respectively, and $1.1 million and $5.2 million in revenue from EMEA for the three and nine months ended September 30, 2010, respectively. Our next largest client accounted for $14.5 million, or 4.9%, and $35.9 million, or 4.2%, of consolidated revenues, for the three and nine months ended September 30, 2010.

Liquidity and Capital Resources

Our primary sources of liquidity are generally cash flows generated by operating activities and from available borrowings under our revolving credit facilities. We utilize these capital resources to make capital expenditures associated primarily with our customer contact management services, invest in technology applications and tools to further develop our service offerings and for working capital and other general corporate purposes, including repurchase of our common stock in the open market and to fund possible acquisitions. In future periods, we intend similar uses of these funds.

On August 5, 2002, the Company's Board authorized the Company to purchase up to 3.0 million shares of its outstanding common stock (the "2002 Share Repurchase Program") and on August 18, 2011, the Company's Board authorized the Company to purchase up to 5.0 million shares of its outstanding common stock (the "2011 Share Repurchase Program"). During the nine months ended September 30, 2011, the Company repurchased a total of 2.8 million shares of common stock under these plans.

During the nine months ended September 30, 2011, we repurchased 0.8 million common shares under the 2002 Share Repurchase Program at prices ranging from $12.46 to $18.53 per share for a total cost of $12.3 million. During the nine months ended September 30, 2010, we repurchased 0.3 million common shares at prices ranging from $16.92 to $17.60 per share for a total cost of $5.2 million. All available shares under the 2002 Share Repurchase Program have been repurchased.

During the nine months ended September 30, 2011, we repurchased 2.0 million common shares under the 2011 Share Repurchase Program at prices ranging from $14.18 to $16.10 per share for a total cost of $30.4 million. The shares are purchased, from time to time, through open market purchases or in negotiated private transactions, and the purchases are based on factors, including but not limited to, the stock price and general market conditions. The 2011 Share Repurchase Program has no expiration date. We may make additional discretionary stock repurchases under this program in 2011.

During the nine months ended September 30, 2011, cash increased $79.9 million from operating activities, proceeds from sale of property and equipment of $3.9 million, proceeds from an insurance settlement of $1.7 million, proceeds from issuance of stock of $0.2 million and proceeds from grants of $0.1 million. Further, we used $42.7 million on the repurchase of the Company's stock, $21.8 million for capital expenditures, $1.2 million to repurchase stock for minimum tax withholding on equity awards and $0.5 million investment in restricted cash resulting in a $15.0 million increase in available cash (including the unfavorable effects of international currency exchange rates on cash of $4.6 million).

Net cash flows provided by operating activities for the nine months ended September 30, 2011 were $79.9 million, compared to $40.2 million provided by operating activities for the comparable 2010 period. The $39.7 million increase in net cash flows from operating activities was due to a $36.6 million increase in net income and a net increase of $7.2 million in cash flows from assets and liabilities partially offset by $4.1 million decrease in non-cash reconciling items such as net (gain) on disposal of property and equipment, depreciation and amortization, deferred income taxes, stock-based compensation and unrealized gains on financial instruments. The $7.2 million increase in cash flows from assets and liabilities was principally a result of a $3.1 million decrease in receivables, a $4.3 million increase in income taxes payable, a $1.4 million increase in deferred revenue and a $1.3 million increase in other liabilities, partially offset by a $2.9 million increase in other assets. The increase in cash flows from assets and liabilities primarily relates to the timing of current billings, subsequent payments and tax payments over the comparable period in 2010.

During 2010, we sold our Argentine operations. Cash flows from discontinued operations were as follows (in thousands):

	For the Nine Months Ended September 30, 2010
Cash provided by operating activities of discontinued operations	$ 208
Cash provided by investing activities of discontinued operations	998
	$ 1,206

Cash provided by operating activities of discontinued operations represents the cash provided the Argentine operations for the nine months ended September 30, 2010. Cash provided by investing activities of discontinued operations in the nine months ended September 30, 2010 primarily represents the cash on the balance sheet of the Argentine operations at the time of the ICT acquisition. We do not expect the sale of our Argentine operations to negatively affect our future liquidity and capital resources.

Capital expenditures, which are generally funded by cash generated from operating activities, available cash balances and borrowings available under our credit facilities, were $21.8 million for the nine months ended September 30, 2011, compared to $21.5 million for the comparable period of 2010, an increase of $0.3 million. In 2011, we anticipate capital expenditures in the range of $30.0 million to $32.0 million, primarily for maintenance and systems infrastructure.

On February 2, 2010, we entered into a Credit Agreement (the “Credit Agreement”) with a group of lenders and KeyBank, as Lead Arranger, Sole Book Runner and Administrative Agent. The Credit Agreement provides for a $75 million Term Loan and a $75 million revolving credit facility, which is subject to certain borrowing limitations and includes certain customary financial and restrictive covenants. We drew down the full $75 million Term Loan on February 2, 2010 in connection with the acquisition of ICT on such date. As of December 31, 2010, the entire $75 million Term Loan has been repaid and is no longer available for borrowings. See Note 2, Acquisition of ICT, and Note 12, Borrowings, of “Notes to Condensed Consolidated Financial Statements” for further information. At September 30, 2011, we were in compliance with all loan requirements of the Credit Agreement.

The $75 million revolving credit facility provided under the Credit Agreement includes a $40 million multi-currency sub-facility, a $10 million swingline sub-facility and a $5 million letter of credit sub-facility, which may be used for general corporate purposes including strategic acquisitions, share repurchases, working capital support, and letters of credit, subject to certain limitations. We are not currently aware of any inability of our lenders to provide access to the full commitment of funds that exist under the revolving credit facility, if necessary. However, there can be no assurance that such facility will be available to us, even though it is a binding commitment. The revolving credit facility will mature on February 1, 2013.

Borrowings under the Credit Agreement bear interest at either LIBOR or the base rate plus, in each case, an applicable margin based on our leverage ratio. The applicable interest rate is determined quarterly based on our leverage ratio at such time. The base rate is a rate per annum equal to the greatest of (i) the rate of interest established by KeyBank, from time to time, as its “prime rate”; (ii) the Federal Funds effective rate in effect from time to time, plus 1/2 of 1% per annum; and (iii) the then-applicable LIBOR rate for one month interest periods, plus

1.00%. Swingline loans bear interest only at the base rate plus the base rate margin. In addition, we are required to pay certain customary fees, including a commitment fee of up to 0.75%, which is due quarterly in arrears and calculated on the average unused amount of the revolving credit facility.

In 2010, we paid an underwriting fee of $3.0 million for the Credit Agreement, which is deferred and amortized over the term of the loan. In addition, we pay a quarterly commitment fee on the Credit Agreement. The related interest expense and amortization of deferred loan fees on the Credit Agreement of $0.3 million and $0.9 million are included in “Interest expense” in the accompanying Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2011, respectively. During the comparable 2010 periods, the related interest expense and amortization of deferred loan fees on the Credit Agreement were $1.1 million and $2.9 million, respectively. The $75 million Term Loan had a weighted average interest rate of 3.87% and 3.93% for the three and nine months ended September 30, 2010, respectively.

The Credit Agreement is guaranteed by all of our existing and future direct and indirect material U.S. subsidiaries and secured by a pledge of 100% of the non-voting and 65% of the voting capital stock of all of our direct foreign subsidiaries and those of the guarantors.

In December 2009, Sykes (Bermuda) Holdings Limited, a Bermuda exempted company (“Sykes Bermuda”) which is an indirect wholly-owned subsidiary of SYKES, entered into a credit agreement with KeyBank (the “Bermuda Credit Agreement”). The Bermuda Credit Agreement provided for a $75 million short-term loan to Sykes Bermuda with a maturity date of March 31, 2010. Sykes Bermuda drew down the full $75 million in December 2009. Interest was charged on the outstanding amounts, at the option of Sykes Bermuda, at either a Eurodollar Rate (as defined in the Bermuda Credit Agreement) or a Base Rate (as defined in the Bermuda Credit Agreement) plus, in each case, an applicable margin specified in the Bermuda Credit Agreement. The underwriting fee paid of $0.8 million was deferred and amortized over the term of the loan. Sykes Bermuda repaid the entire outstanding amount plus accrued interest on March 31, 2010. The related interest expense and amortization of deferred loan fees of $1.4 million are included in “Interest expense” in the accompanying Condensed Consolidated Statement of Operations for the nine months ended September 30, 2010 (none in the three months ended September 30, 2010 or for the three and nine months ended September 30, 2011).

At September 30, 2011, we had $204.8 million in cash and cash equivalents, of which approximately 84.0% or $172.0 million was held in international operations and may be subject to additional taxes if repatriated to the United States, including withholding tax applied by the country of origin and repatriation tax on the foreign-source income. During the nine months ended September 30, 2011, we repatriated $25.0 million (the remaining balance of the $50.0 million 2010 determination of intent to distribute the majority of the accumulated and undistributed earnings of an ICT foreign subsidiary). We have no plans to repatriate any additional cash and cash equivalents held by our international operations to the United States. There are circumstances where we may be unable to repatriate some of the cash and cash equivalents held by our international operations due to country restrictions.

We believe that our current cash levels, accessible funds under our credit facilities and cash flows generated from future operations will be adequate to meet anticipated working capital needs, future debt repayment requirements, continued expansion objectives, funding of potential acquisitions, anticipated levels of capital expenditures and contractual obligations for the next twelve months and any stock repurchases. Our cash resources could be affected by various risks and uncertainties, including but not limited to the risks described in our Annual Report on Form 10-K for the year ended December 31, 2010.

Off-Balance Sheet Arrangements and Other

At September 30, 2011, we did not have any material commercial commitments, including guarantees or standby repurchase obligations, or any relationships with unconsolidated entities or financial partnerships, including entities often referred to as structured finance or special purpose entities or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Contractual Obligations

The following table summarizes the material changes to our contractual cash obligations as of September 30, 2011 and the effect these obligations are expected to have on liquidity and cash flow in future periods (in thousands):

	Payments Due By Period					
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years	Other
Purchase obligations and other [1]	$ 7,586	$ 3,434	$ 3,809	$ 343	$ —	$ —

(1) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty.

Except for the contractual obligations mentioned above, there have not been any material changes to the outstanding contractual obligations from the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2010.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires estimations 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.

We believe 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 our financial condition and operating results:

Recognition of Revenue

We recognize revenue in accordance with ASC 605 " *Revenue Recognition* ".

We primarily recognize revenues from services as the services are performed, which is based on either a per minute, per call or per transaction basis, under a fully executed contractual agreement and record reductions to revenues for contractual penalties and holdbacks for failure to meet specified minimum service levels and other performance based contingencies. Revenue recognition is limited to the amount that is not contingent upon delivery of any future product or service or meeting other specified performance conditions.

Product sales, accounted for within our fulfillment services, are recognized upon shipment to the customer and satisfaction of all obligations.

In accordance with ASC 605-25 ("ASC 605-25") " *Revenue Recognition — Multiple-Element Arrangements* ", revenue from contracts with multiple-deliverables is allocated to separate units of accounting based on their relative fair value, if the deliverables in the contract(s) meet the criteria for such treatment. Certain fulfillment services contracts contain multiple-deliverables. Separation criteria included whether a delivered item has value to the customer on a stand-alone basis, whether there is objective and reliable evidence of the fair value of the undelivered items and, if the arrangement includes a general right of return related to a delivered item, whether delivery of the undelivered item is considered probable and in our control. Fair value is the price of a deliverable when it is regularly sold on a stand-alone basis, which generally consists of vendor-specific objective evidence of fair value. If there is no evidence of the fair value for a delivered product or service, revenue is allocated first to the fair value of the undelivered product or service and then the residual revenue is allocated to the delivered product or service. If there is no evidence of the fair value for an undelivered product or service, the contract(s) is accounted for as a single unit of accounting, resulting in delay of revenue recognition for the delivered product or service until the undelivered product or service portion of the contract is complete. We recognize revenues for delivered elements only when the fair values of undelivered elements are known, uncertainties regarding client acceptance are resolved,

and there are no client-negotiated refund or return rights affecting the revenue recognized for delivered elements. Once we determine the allocation of revenues between deliverable elements, there are no further changes in the revenue allocation. If the separation criteria are met, revenues from these services are recognized as the services are performed under a fully executed contractual agreement. If the separation criteria are not met because there is insufficient evidence to determine fair value of one of the deliverables, all of the services are accounted for as a single combined unit of accounting. For deliverables with insufficient evidence to determine fair value, revenue is recognized on the proportional performance method using the straight-line basis over the contract period, or the actual number of operational seats used to serve the client, as appropriate. As of September 30, 2011, our fulfillment contracts with multiple-deliverables met the separation criteria as outlined in ASC 605-25 and the revenue was accounted for accordingly. We have no other contracts that contain multiple-deliverables as of September 30, 2011.

In October 2009, the Financial Accounting Standards Board amended the accounting standards for certain multiple-deliverable revenue arrangements. We adopted this guidance on a prospective basis for applicable transactions originated or materially modified since January 1, 2011, the adoption date. Since there were no such transactions executed or materially modified since adoption on January 1, 2011, there was no impact on our financial condition, results of operations and cash flows. The amended standard:

- updates guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and how the consideration should be allocated;
- requires an entity to allocate revenue in an arrangement using the best estimated selling price of deliverables if a vendor does not have vendor-specific objective evidence of selling price or third-party evidence of selling price; and
- eliminates the use of the residual method and requires an entity to allocate revenue using the relative selling price method.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts, $4.2 million as of September 30, 2011 or 1.8% of trade account receivables, for estimated losses arising from the inability of our customers to make required payments. Our estimate is based on factors surrounding the credit risk of certain clients, historical collection experience and a review of the current status of trade accounts receivable. It is reasonably possible that our estimate of the allowance for doubtful accounts will change if the financial condition of our customers were to deteriorate, resulting in a reduced ability to make payments.

Income Taxes

We reduce deferred tax assets by a valuation allowance if, based on the weight of available evidence, both positive and negative, for each respective tax jurisdiction, it is more likely than not that some portion or all of such deferred tax assets will not be realized. The valuation allowance for a particular tax jurisdiction is allocated between current and noncurrent deferred tax assets for that jurisdiction on a pro rata basis. Available evidence which is considered in determining the amount of valuation allowance required includes, but is not limited to, our estimate of future taxable income and any applicable tax-planning strategies.

At December 31, 2010, we determined that a total valuation allowance of $60.1 million was necessary to reduce U.S. deferred tax assets by $6.2 million and foreign deferred tax assets by $53.9 million, where it was more likely than not that some portion or all of such deferred tax assets will not be realized. The recoverability of the remaining net deferred tax asset of $18.3 million at December 31, 2010 is dependent upon future profitability within each tax jurisdiction. As of September 30, 2011, based on our estimates of future taxable income and any applicable tax planning strategies within various tax jurisdictions, we reversed the valuation allowance by $1.4 million and increased the net deferred tax assets accordingly. We believe that it is more likely than not that the remaining net deferred tax assets will be realized.

Generally, earnings associated with the investments in our subsidiaries are considered to be permanently invested and provisions for income taxes on those earnings or translation adjustments are not recorded. However, we changed our intent to distribute current earnings from various foreign operations to their foreign parents to take advantage of the December 2010 Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (the “Tax Relief Act”), which includes the extension until December 31, 2011 of Internal Revenue Code Section 954 (c)(6). The Tax Relief Act permits continued tax deferral on such distributions that would otherwise be taxable

immediately in the United States. While the distributions are not taxable in the United States, related foreign withholding taxes have been accrued in the Condensed Consolidated Balance Sheets.

In addition, the U.S. Department of the Treasury released the "General Explanations of the Administration's Fiscal Year 2012 Revenue Proposals" in February 2011. These proposals represent a significant shift in international tax policy, which may materially impact U.S. taxation of international earnings. We continue to monitor these proposals and are currently evaluating their potential impact on our financial condition, results of operations, and cash flows. Determination of any unrecognized deferred tax liability for temporary differences related to investments in foreign subsidiaries that are essentially permanent in nature is not practicable.

We evaluate tax positions that have been taken or are expected to be taken in our tax returns, and record a liability for uncertain tax positions in accordance with ASC 740 ("ASC 740") *"Income Taxes"* . The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. First, tax positions are recognized if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, the tax position is measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision. We had $16.7 million and $21.0 million of unrecognized tax benefits as of September 30, 2011 and December 31, 2010, respectively.

Our provision for income taxes is subject to volatility and is impacted by the distribution of earnings in the various domestic and international jurisdictions in which we operate. Our effective tax rate could be impacted by earnings being either proportionally lower or higher in foreign countries where we have tax rates lower than the U.S. tax rates. In addition, we have been granted tax holidays in several foreign tax jurisdictions, which have various expiration dates ranging from 2011 through 2023. If we are unable to renew a tax holiday in any of these jurisdictions, our effective tax rate could be adversely impacted. In some cases, the tax holidays expire without possibility of renewal. In other cases, we expect to renew these tax holidays, but there are no assurances from the respective foreign governments that they will permit a renewal. Our effective tax rate could also be affected by several additional factors, including changes in the valuation of our deferred tax assets or liabilities, changing legislation, regulations, and court interpretations that impact tax law in multiple tax jurisdictions in which we operate, as well as new requirements, pronouncements and rulings of certain tax, regulatory and accounting organizations.

Impairment of Goodwill, Intangibles and Other Long-Lived Assets

We review long-lived assets, which had a carrying value of $261.7 million as of September 30, 2011, including goodwill, intangibles and property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable and at least annually for impairment testing of goodwill. An asset is considered to be impaired when the carrying amount exceeds the fair value. Upon determination that the carrying value of the asset is impaired, we would record an impairment charge, or loss, to reduce the asset to its fair value. 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 and, therefore, might require an impairment charge in the future.

New Accounting Standards

In May 2011, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2011-04 ("ASU 2011-04") " *Fair Value Measurement (Topic 820) — Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ". The amendments in ASU 2011-04 result in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS"). Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The amendments in ASU 2011-04 are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011. We do not

expect the adoption of this amendment to materially impact its financial condition, results of operations and cash flows.

In June 2011, the FASB issued ASU 2011-05 ("ASU 2011-05") " *Comprehensive Income (Topic 220) — Presentation of Comprehensive Income* ". The amendments in ASU 2011-05 require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The amendments in ASU 2011-05 are to be applied retrospectively and are effective during interim and annual periods beginning after December 15, 2011. We are currently evaluating the impact of ASU 2011-05 on our financial statement presentation of comprehensive income.

In September 2011, the FASB issued ASU 2011-08 ("ASU 2011-08") " *Intangibles — Goodwill and Other (Topic 350) Testing Goodwill for Impairment* ". The amendments in ASU 2011-08 provide entities with the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. Under the amendments in ASU 2011-08, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. An entity may resume performing the qualitative assessment in any subsequent period. The amendments in ASU 2011-08 are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, and may be early adopted. We do not expect the adoption of ASU 2011-08 to materially impact our financial condition, results of operations, cash flows and footnote disclosures.

Unless we need to clarify a point to readers, we will refrain from citing specific section references when discussing the application of accounting principles or addressing new or pending accounting rule changes.

U.S. Healthcare Reform Acts

In March 2010, the President of the United States signed into law comprehensive health care reform legislation under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (the "Acts"). The Acts contain provisions that could materially impact the Company's healthcare costs in the future, thus adversely affecting the Company's profitability. We are currently evaluating the potential impact of the Acts, if any, on our financial condition, results of operations and cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Risk

Our earnings and cash flows are subject to fluctuations due to changes in currency exchange rates. We are exposed to foreign currency exchange rate fluctuations when subsidiaries with functional currencies other than the U.S. Dollar ("USD") are translated into the Company's USD consolidated financial statements. As exchange rates vary, those results, when translated, may vary from expectations and adversely impact profitability. The cumulative translation effects for subsidiaries using functional currencies other than the U.S. Dollar are included in "Accumulated other comprehensive income (loss)" in shareholders' equity. Movements in non-U.S. Dollar currency exchange rates may negatively or positively affect our competitive position, as exchange rate changes may affect business practices and/or pricing strategies of non-U.S. based competitors.

We employ a foreign currency risk management program that periodically utilizes derivative instruments to protect against unanticipated fluctuations in earnings and cash flows caused by volatility in foreign currency exchange ("FX") rates. Option and forward derivative contracts are used to hedge intercompany receivables and payables, and other transactions initiated in the United States, that are denominated in a foreign currency. Additionally, we may employ FX contracts to hedge net investments in foreign operations.

We serve a number of U.S.-based clients using customer contact management center capacity in the Philippines, Canada and Costa Rica, which are within our Americas segment. Although the contracts with these clients are priced in USDs, a substantial portion of the costs incurred to render services under these contracts are denominated in Philippine Pesos ("PHP"), Canadian Dollars ("CAD") and Costa Rican Colones ("CRC"), which represent FX exposures.

In order to hedge a portion of our anticipated cash flow requirements denominated in PHP, CAD and CRC, we had outstanding forward contracts and options as of September 30, 2011 with counterparties through September 2012 with notional amounts totaling $155.8 million. As of September 30, 2011, we had net total derivative liabilities associated with these contracts of $0.9 million, which will settle within the next 12 months. The fair value of these derivative instruments as of September 30, 2011 is presented in Note 7, Financial Derivatives, of "Notes to Condensed Consolidated Financial Statements". If the USD was to weaken against the PHP, CAD and CRC by 10% from current period-end levels, we would incur a loss of approximately $11.4 million on the underlying exposures of the derivative instruments. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We also entered into forward exchange contracts that are not designated as hedges. The purpose of these derivative instruments is to protect against FX volatility pertaining to intercompany receivables and payables, and other assets and liabilities that are denominated in currencies other than our subsidiaries' functional currencies. As of September 30, 2011, the fair value of these derivatives was a net receivable of $2.8 million. The potential loss in fair value at September 30, 2011, for these contracts resulting from a hypothetical 10% adverse change in the foreign currency exchange rates is approximately $3.8 million. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We evaluate the credit quality of potential counterparties to derivative transactions and only enter into contracts with those considered to have minimal credit risk. We periodically monitor changes to counterparty credit quality as well as our concentration of credit exposure to individual counterparties.

We do not use derivative financial instruments for speculative trading purposes, nor do we hedge our foreign currency exposure in a manner that entirely offsets the effects of changes in foreign exchange rates.

As a general rule, we do not use financial instruments to hedge local currency denominated operating expenses in countries where a natural hedge exists. For example, in many countries, revenue from the local currency services substantially offsets the local currency denominated operating expenses.

Interest Rate Risk

Our exposure to interest rate risk results from variable debt outstanding under the revolving credit facility under our Credit Agreement. We pay interest on outstanding borrowings at interest rates that fluctuate based upon changes in various base rates. During the three and nine months ended September 30, 2011, we had no debt outstanding under the revolving credit facility.

We have not historically used derivative instruments to manage exposure to changes in interest rates.

Fluctuations in Quarterly Results

For the year ended December 31, 2010, quarterly revenues as a percentage of total consolidated annual revenues were approximately 23%, 25%, 25% and 27%, respectively, for each of the respective quarters of the year. We have experienced and anticipate that in the future we will experience variations in quarterly revenues. The variations are due to the timing of new contracts and renewal of existing contracts, the timing and frequency of client spending for customer contact management services, non-U.S. currency fluctuations, and the seasonal pattern of customer contact management support and fulfillment services.

Item 4. Controls and Procedures

As of September 30, 2011, under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a — 15(e) under the Securities Exchange Act of 1934, as amended. Our disclosure controls and procedures

are designed to provide reasonable assurance that the information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time period specified by the SEC's rules and forms, and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. We concluded that, as of September 30, 2011, our disclosure controls and procedures were effective at the reasonable assurance level.

There were no changes in our internal controls over financial reporting during the quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

We have previously disclosed three pending matters involving regulatory sanctions assessed against our Spanish subsidiary. All three matters relate to the alleged inappropriate acquisition of personal information in connection with two outbound client contracts. In connection with the appeal of one of these claims, we issued a bank guarantee, which is included as restricted cash of $0.4 million in “Deferred charges and other assets” in the accompanying Condensed Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010. Based upon the opinion of legal counsel regarding the likely outcome of these three matters, we accrued a liability in the amount of $1.3 million in accordance with the Financial Accounting Standards Board’s Accounting Standards Codification 450 “ *Contingencies* ” because we believed that a loss was probable and the amount of the loss could be reasonably estimated. In the quarter ended December 31, 2010, the Spanish Supreme Court ruled in our favor in one of the three subject claims. Accordingly, we reversed the accrual in the amount of $0.5 million related to that particular claim. The accrued liability included in “Other accrued expenses and current liabilities” in the accompanying Condensed Consolidated Balance Sheets was $0.8 million as of September 30, 2011 and December 31, 2010. One of the other two claims has been finally decided against the Company on procedural grounds, and the final claim remains on appeal to the Spanish Supreme Court.

From time to time, we are involved in legal actions arising in the ordinary course of business. With respect to these matters, we believe that we have adequate legal defenses and/or provided adequate accruals for related costs such that the ultimate outcome will not have a material adverse effect on our future financial position or results of operations.

Item 1A. Risk Factors

For risk factors, see Item 1A, “Risk Factors,” of our Annual Report on Form 10-K for the year ended December 31, 2010 filed on March 8, 2011. Our risk factors have not changed materially since December 31, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Below is a summary of stock repurchases for the three months ended September 30, 2011 (in thousands, except average price per share). See Note 15, Earnings Per Share, of “Notes to Condensed Consolidated Financial Statements” for information regarding our stock repurchase program.

Period	Total Number of Shares Purchased [1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under Plans or Programs
July 1, 2011 - July 31, 2011 .	—	$ —	—	498
August 1, 2011 - August 31, 2011	645	$ 13.80	645	4,853
September 1, 2011 - September 30, 2011	1,853	$ 15.21	1,853	3,000
Total	**2,498**		**2,498**	**3,000**

(1) All shares purchased as part of repurchase plans publicly announced on August 5, 2002 and August 8, 2011. Total number of shares approved for repurchase under the 2002 plan was 3.0 million. All of the available shares have been repurchased. Total number of shares approved for repurchase under the 2011 plan was 5.0 milion with no expiration date.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Removed and Reserved

Item 5. Other Information

None.

Item 6. Exhibits

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

10.1	Sykes Enterprises, Incorporated 2011 Equity Incentive Plan.
15	Awareness letter.
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a).
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. §1350.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. §1350.
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed on November 8, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Changes in Stockholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

SIGNATURE

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 8, 2011

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

EXHIBIT INDEX

Exhibit Number	
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Exhibit 10.1

SYKES ENTERPRISES, INCORPORATED
2011 EQUITY INCENTIVE PLAN

(Effective as of May 19, 2011)

Section 1. PURPOSE AND DEFINITIONS

(a) Purpose. This Plan, known as the "Sykes Enterprises, Incorporated 2011 Equity Incentive Plan", is intended to provide incentives to certain employees of and certain non-employees who provide services to Sykes Enterprises, Incorporated and its subsidiaries, in order to encourage them to remain in the employ of or to faithfully provide services to the Company and its subsidiaries and to increase their interest in the Company's success. It is intended that this purpose be effected through awards or grants of stock options, stock appreciation rights, and various other rights with respect to shares of the Company's common stock, as provided herein, to such eligible persons.

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

(1) The term "Administrator" shall mean the Compensation and Human Resource Development Committee of the Board or such other committee, individual or individuals appointed or delegated authority pursuant to Section 2 to administer the Plan.

(2) The term "Affiliate" or "Affiliates" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(3) The term "Beneficial Owner" shall mean beneficial owner as defined in Rule 13d-3 under the Exchange Act.

(4) The term "Board" shall mean the Board of Directors of Sykes Enterprises, Incorporated.

(5) The term "Change in Control" shall mean (i) the consummation of a plan of reorganization, merger, share exchange or consolidation of the Company with one or more other corporations or other entities as a result of which the holders of the Stock as a group would receive less than fifty percent (50%) of the voting power of the capital stock or other interests of the surviving or resulting corporation or entity; (ii) the consummation of a plan of liquidation or the dissolution of the Company; (iii) the consummation of an agreement providing for the sale or transfer (other than as a security for obligations of the Company or any Subsidiary) of substantially all of the assets of the Company, other than a sale or transfer to an entity at least seventy-five percent (75%) of the combined voting power of the voting securities of which are owned by persons in substantially the same proportions as their ownership of the Company immediately prior to such sale; or (iv) the acquisition of more than fifty percent (50%) of the outstanding Stock by any person within the meaning of Rule 13(d)(3) under the Exchange Act, if such acquisition is not preceded by a prior expression of approval by the

Board, provided that the term “person” shall not include (A) the Company or any of its Subsidiaries, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a Subsidiary, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock in the Company.

(6) The term “Code” shall mean the Internal Revenue Code of 1986, or any successor thereto, as the same may be amended and in effect from time to time.

(7) The term “Company” shall mean Sykes Enterprises, Incorporated.

(8) The term “Employee” shall mean a person who is employed by the Company or any Subsidiary, including an officer or director of the Company or any Subsidiary who is also an employee of the Company or any Subsidiary.

(9) The term “Exchange Act” shall mean the Securities Exchange Act of 1934, or any successor thereto, as the same may be amended and in effect from time to time.

(10) The term “Fair Market Value” shall mean, with respect to a share of Stock as of any given date, (a) if the Stock is readily tradable on an established securities market within the meaning of section 409A of the Code, the closing price of a share of Stock as reported by the securities market on such date, or, if such date is not a trading day, the closing price of a share of Stock as reported by the securities market on the last trading day preceding such date on which a sale was reported (if there is more than one established securities market on which the Stock is traded, the Administrator shall determine the appropriate market for purposes of determining Fair Market Value), or (b) if the Stock is not readily tradable on an established securities market within the meaning of section 409A of the Code, the Administrator shall determine the Fair Market Value of a share of Stock in a manner consistent with the requirements of section 409A of the Code and all other applicable rules and regulations. To the extent necessary to comply with the requirements of section 409A of the Code, the foregoing definition of “Fair Market Value” shall apply retroactively to all Plan Awards granted prior to the date this definition was adopted, notwithstanding the terms of the Plan at the time the Plan Award was granted.

(11) The term “Incentive Stock Option” means an option granted under this Plan and which is an incentive stock option within the meaning of section 422 of the Code, or the corresponding provision of any subsequently enacted tax statute.

(12) The term “Option” or “Options” shall mean the option to purchase Stock in accordance with Section 4 on such terms and conditions as may be prescribed by the Administrator, whether or not such option is an Incentive Stock Option.

(13) The term “Other Stock-Based Awards” shall mean awards of Stock or other rights made in accordance with Section 5 on such terms and conditions as may be prescribed by the Administrator.

(14) The term “Participant” shall mean an Employee or non-employee who has been designated for participation in the Plan.

(15) The term “Performance Goals” shall mean one or more business criteria based on individual, business unit, group, Company or other performance criteria selected by the Administrator.

(16) The term “Person” shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(17) The term “Plan” shall mean the Sykes Enterprises, Incorporated 2001 Equity Incentive Plan, as the same may be amended and in effect from time to time.

(18) The term “Plan Awards” or “Awards” shall mean awards or grants of stock Options and various other rights with respect to shares of Stock.

(19) The term “Stock Appreciation Right” shall mean the right to receive, without payment to the Company, an amount of cash or Stock as determined in accordance with Section 4, based on the amount by which the Fair Market Value of a share of Stock on the relevant valuation date exceeds the grant price.

(20) The term “Stock” shall mean shares of the Company’s common stock, par value $.01 per share.

(21) The term “Subsidiary” shall mean any “subsidiary corporation” within the meaning of Section 424(f) of the Code.

(22) The term “Ten Percent Stockholder” shall mean an individual who owns stock possessing more than ten percent (10%) of the combined voting power of all classes of stock of the Company or of its parent or subsidiary corporations within the meaning of Code section 422.

Section 2. ADMINISTRATION

The Plan shall be administered by the Compensation and Human Resource Development Committee of the Board, or by any other committee appointed by the Board

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

Section 3. STOCK AVAILABLE FOR PLAN AWARDS

(a) Stock Subject to Plan. The Stock to be subject to or related to Plan Awards may be either authorized and unissued shares or shares held in the treasury of the Company. The maximum number of shares of Stock with respect to which Plan Awards may be granted under the Plan, subject to adjustment in accordance with the provisions of Section 10, shall be FOUR MILLION (4,000,000).

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

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

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

Section 4. OPTIONS AND STOCK APPRECIATION RIGHTS

(a) Grant of Options.

(1) The Administrator, at any time and from time to time while the Plan is in effect, may grant Options to such Employees and non-employees as the Administrator may select, subject to the provisions of this Section 4 and Section 3. Subject to any limitations set forth in the Plan, the Administrator shall have complete discretion in determining: (a) the eligible individuals to be granted an Option; (b) the number of shares of Stock to be subject to the Option; (c) whether the Option is to be an Incentive Stock Option or a nonqualified stock option; *provided* that, Incentive Stock Options may be granted only to Employees of the Company or a Subsidiary; and (d) any other terms and conditions of the Option as determined by the Administrator in its sole discretion.

(2) Unless otherwise determined by the Administrator, Incentive Stock Options: (a) will be exercisable at a purchase price per share of not less than One Hundred percent (100%) (or, in the case of a Ten Percent Stockholder, one hundred and ten percent (110%)) of the Fair Market Value of the Stock on the date of grant; (b) will be exercisable over not more than ten (10) years (or, in the case of a Ten Percent Stockholder, five (5) years) after the date of grant; (c) will terminate not later than three (3) months after the Participant's termination of employment for any reason other than disability or death; (d) will terminate not later than twelve (12) months after the Participant's termination of employment as a result of a disability (within the meaning of Code section 424); and (e) will comply in all other respects with the provisions of Code section 422.

(3) Nonqualified stock options will be exercisable at purchase price per share of not less than one hundred percent (100%) of the Fair Market Value of the Stock on the date of grant. The number of shares of Stock covered by the nonqualified stock option shall be fixed by the Administrator on the date of grant. Nonqualified stock options will be exercisable during such periods or on such date as determined by the Administrator and shall terminate at such time as the Administrator shall determine. Nonqualified stock options shall be subject to such other terms and conditions as are determined by the Administrator.

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

option as to the excess shall be treated as a nonqualified stock option. This limitation shall be applied by taking stock options into account in the order in which they were granted.

(b) Grant of Stock Appreciation Rights .

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

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

(c) Terms and Conditions .

(1) Each Option and Stock Appreciation Right granted under the Plan shall be exercisable on such date or dates, during such period, for such number of shares and subject to such further conditions, including but not limited to the attainment of Performance Goals, as shall be determined by the Administrator in its sole discretion and set forth in the provisions of the award agreement with respect to such Option and Stock Appreciation Right; *provided, however* , that a Tandem SAR shall not

be exercisable prior to or later than the time the related Option could be exercised; and *provided, further* , that in any event no Option or Stock Appreciation Right shall be exercised beyond ten (10) years from the date of grant.

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

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

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

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

(e) Payment for Option Shares .

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

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

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

Section 5. STOCK AND OTHER STOCK-BASED AND COMBINATION AWARDS

(a) Grants of Other Stock-Based Awards. The Administrator, at any time and from time to time while the Plan is in effect, may grant Other Stock-Based Awards to such Employees or non-employees as it may select. Such Plan Awards pursuant to which Stock is or may in the future be acquired, or Plan Awards valued or determined in whole or part by reference to or otherwise based on Stock, may include, but are not limited to, awards of restricted Stock or Plan Awards denominated in the form of “stock units”, grants of so-called “phantom stock” and options containing terms or provisions differing in whole or in part from Options granted pursuant to Section 4. Other Stock-Based Awards may be granted either alone, in addition to, in tandem with or as an alternative to any other kind of Plan Award, grant or benefit granted under the Plan or under any other employee plan of the Company or Subsidiary, including a plan of any acquired entity. Each Other Stock-Based Award shall be evidenced by an award agreement in such form as the Administrator may determine.

(b) Terms and Conditions. Subject to the provisions of the Plan, and subject to compliance with the applicable requirements of section 409A of the Code, the Administrator shall have the authority to determine the time or times at which Other Stock-Based Awards shall be made, the number of shares of Stock or stock units and the like to be granted or covered pursuant to such Plan Awards (subject to the provisions of Section 3) and all other terms and conditions of such Plan Awards, including, but not limited to, whether such Plan Awards shall be subject to the attainment of Performance Goals, and whether such Plan Awards shall be payable or paid in cash, Stock or otherwise.

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

(d) Dividend Equivalents on Plan Awards.

(1) The Administrator may determine that a Participant to whom an Other Stock-Based Award is granted shall be entitled to receive payment of the same amount of cash that such Participant would have received as cash dividends if, on each record date during the performance or restriction period relating to such Plan Award, such Participant had been the holder of record of a number of shares of Stock

subject to the Award (as adjusted pursuant to Section 10). Any such payment may be made at the same time as and when dividends are paid to holders of Stock, *provided, however* , as determined by the Administrator in its sole discretion, but subject to compliance with the applicable requirements of section 409A of the Code, an Award Agreement may defer payment of all or certain dividends until a later date. Such cash payments are hereinafter called "dividend equivalents".

(2) Notwithstanding the provisions of subsection (d)(1), the Administrator may determine that, in lieu of receiving all or any portion of any such dividend equivalent in cash, a Participant shall receive an award of whole shares of Stock having a Fair Market Value approximately equal to the portion of such dividend equivalent that was not paid in cash. Certificates for shares of Stock so awarded may be issued as of the payment date for the related cash dividend or may be deferred until a later date, subject to the requirements of section 409A of the Code, and the shares of Stock covered thereby may be subject to the terms and conditions of the Plan Award to which it relates (including but not limited to the attainment of any Performance Goals) and the terms and conditions of the Plan, all as determined by the Administrator in its sole discretion.

(3) No dividend equivalents shall relate to shares of Stock covered by an Option or Stock Appreciation Right unless the right to the dividend equivalent is not contingent, directly or indirectly, upon the exercise of the Option or Stock Appreciation Right and does not cause the Option or Stock Appreciation Right to be subject to section 409A of the Code.

Section 6. AWARDS TO PARTICIPANTS OUTSIDE OF THE UNITED STATES

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

Section 7. PAYMENT OF PLAN AWARDS AND CONDITIONS THEREON

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

(b) Substitution of Shares . Notwithstanding the provisions of this subsection (b) or any other provision of the Plan, but subject to compliance with the applicable requirements of section 409A of the Code, the Administrator may specify that a Participant's Plan Award shall not be represented by certificates for shares of Stock but shall be represented by rights approximately equivalent (as determined by the Administrator) to the rights that such Participant would have received if certificates for shares of Stock had been issued in the name of such Participant in accordance with subsection (a) (such rights being called "Stock Equivalents"). Subject to the provisions of Section 10 and the other terms and provisions of the Plan, if the Administrator shall so determine, each Participant who holds Stock Equivalents shall be entitled to receive the same amount of cash that such Participant would have received as dividends if certificates for shares of Stock had been issued in the name of such Participant pursuant to subsection (a) covering the number of shares equal to the number of shares to which such Stock Equivalents relate. Notwithstanding any other provision of the Plan to the contrary, the Stock Equivalents may, at the option of the Administrator, be converted into an equivalent number of shares of Stock or, upon the expiration of any restriction period imposed on such Stock Equivalents, into cash, under such circumstances and in such manner as the Administrator may determine, subject to compliance with the applicable requirements of section 409A of the Code.

(c) Effect of Competitive Activity . Anything contained in the Plan to the contrary notwithstanding, if the employment of any Participant shall terminate, for any reason other than death, while any Plan Award granted to such Participant is outstanding hereunder, and such Participant has not yet received the Stock covered by such Plan Award or otherwise received the full benefit of such Plan Award, such Participant, if otherwise entitled thereto, shall receive such Stock or benefit only if, during the entire period from the date of such Participant's termination to the date of such receipt, such Participant shall have (1) made himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to and otherwise cooperate with the Company or any Subsidiary with respect to any matter that shall have been handled by him or her or under his or her supervision while he or she was in the employ of the Company or of any Subsidiary, and (2) refrained from engaging in any activity that is directly or indirectly in competition with any activity of the Company

or any Subsidiary. In the event of a Participant's failure to comply with any condition set forth in this subsection (c), such Participant's rights under any Plan Award shall be forfeited and cancelled forthwith; *provided, however* , that the failure to comply with such condition may at any time (whether before, at the time of or subsequent to termination of employment) be waived by the Administrator upon its determination that in its sole judgment there shall not have been and will not be any such substantial adverse effect.

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

(e) Tax and Other Withholding . Prior to any distribution of cash, Stock or any other benefit available under a Plan Award (including payments under Section 5(d) and Section 7(b)) to any Participant, appropriate arrangements (consistent with the Plan and any rules adopted hereunder) shall be made for the payment of any taxes and other amounts required to be withheld by federal, state or local law. The Company shall have the right to withhold from any Plan Award granted, any payment due under a Plan Award, or any other payment otherwise due by the Company to the Participant, the amount of all federal, state or local taxes due in respect of a Plan Award or any payment under a Plan Award, and to take any other action the Administrator deems necessary or appropriate to satisfy any tax obligation incident to a Plan Award.

(f) Substitution . The Administrator, in its sole discretion, but subject to compliance with the applicable requirements of section 409A of the Code, may substitute a Plan Award for another Plan Award or Plan Awards of the same or different type.

Section 8. NON-TRANSFERABILITY OF PLAN AWARDS

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

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

Section 9. DESIGNATION OF BENEFICIARIES

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

Section 10. MERGER, CONSOLIDATION, STOCK DIVIDENDS, ETC.

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

(b) Administrator Determinations . The foregoing adjustments and the manner of application of the foregoing provisions shall be determined by the Administrator in its sole discretion. Any adjustment, substitution or change pursuant to this Section 10 made with respect to a Stock Option intended to be an Incentive Stock Option shall be made only the extent consistent with such intent, unless the Administrator determines otherwise. The Administrator shall not make any adjustment, substitution or change pursuant to this Section 10 that would cause any award under the Plan that is otherwise exempt from section 409A of the Code to become subject to section 409A of the Code, or that would cause an award under the Plan that is subject to section 409A of the Code to fail to satisfy any requirement under section 409A of the Code. Any such adjustment may provide for the elimination of any fractional share which might otherwise become subject to a Plan Award.

Section 11. ACCELERATION OF PAYMENT OR MODIFICATION OF PLAN AWARDS

(a) Acceleration and Modification . The Administrator, in the event of the death of a Participant or in any other circumstance, may accelerate distribution of any

Plan Award in its entirety or in a reduced amount, in cash or in Stock, or modify any Plan Award, in each case on such basis and in such manner as the Administrator may determine in its sole discretion, but subject to compliance with the applicable requirements of section 409A of the Code.

(b) Change in Control . Notwithstanding any other provision of the Plan, but subject to compliance with the applicable requirements of section 409A of the Code, unless the Administrator determines otherwise at the time of grant, upon the occurrence of a Change in Control, (1) any Plan Awards outstanding as of the date of such Change in Control, and that are not then vested, shall become fully vested, and (2) any restrictions or other conditions applicable to any outstanding Awards shall lapse, and such Plan Awards shall become free of all restrictions and conditions. Notwithstanding the foregoing, if a successor corporation or other entity as contemplated in clause (i) or (ii) of Section 1 (b)(5) hereof agrees to assume the outstanding Plan Awards or to substitute substantially equivalent awards, then the outstanding Plan Awards issued hereunder shall not be immediately exercisable, but shall remain exercisable in accordance with the terms of the Plan and the applicable award agreements.

Section 12. RIGHTS AS A STOCKHOLDER

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

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

(a) Term . Unless terminated earlier pursuant to subsection (b), the Plan shall terminate on the tenth (10 th) anniversary of the effective date of the Plan.

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

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

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

(e) Amendment for Changes in Law; Amendment to Avoid Section 409A Violations. Notwithstanding the foregoing provisions, the Board and Administrator shall have the authority to amend outstanding Plan Awards and the Plan to take into account changes in law and tax and accounting rules as well as other developments, and to grant Plan Awards that qualify for beneficial treatment under such rules, without stockholder approval (unless otherwise required by law or the applicable rules of any securities exchange on which the Stock is then traded) and without Participant consent. Further, and without limiting the generality of the foregoing, the Board and the Administrator shall have the right to amend the Plan and any outstanding Plan Awards or adopt other policies and procedures applicable to the Plan and Plan Awards (including amendments, policies and procedures with retroactive effect) without Participant consent as may be necessary or appropriate to comply with the requirements of section 409A of the Code or an exemption thereto, even if the amendment reduces, restricts or eliminates rights granted under the Plan or the Plan Award prior to the amendment.

Section 14. INDEMNIFICATION AND EXCULPATION

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

(b) Exculpation. Each member of the Board and the Administrator, and each officer and employee of the Company, shall be fully justified in relying or acting in good faith upon any information furnished in connection with the administration of the Plan by any appropriate person or persons other than such person. In no event shall any person who is or shall have been a member of the Board, or the Administrator, or an officer or employee of the Company, be held liable for any determination made or other action taken or any omission to act in reliance upon any such information, or for

any action (including the furnishing of information) taken or any failure to act, if in good faith.

Section 15. EXPENSES OF PLAN

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

Section 16. FINALITY OF DETERMINATIONS

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

Section 17. NO RIGHTS TO CONTINUED EMPLOYMENT OR TO PLAN AWARD

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

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

Section 18. GOVERNING LAW AND CONSTRUCTION

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

Section 19. SECURITIES AND STOCK EXCHANGE REQUIREMENTS

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

(b) Registration, Listing and Qualification of Shares of Common Stock . Notwithstanding any other provision of the Plan, if at any time the Administrator shall determine that the registration, listing or qualification of the Stock covered by a Plan Award upon any securities exchange or under any foreign, federal, state or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Plan Award or the purchase or receipt of Stock in connection therewith, no Stock may be purchased, delivered or received pursuant to such Plan Award unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Administrator. Any person receiving or purchasing Stock pursuant to a Plan Award shall make such representations and agreements and furnish such information as the Administrator may request to assure compliance with the foregoing or any other applicable legal requirements. The Company shall not be required to issue or deliver any certificate or certificates for Stock under the Plan prior to the Administrator's determination that all related requirements have been fulfilled. The Company shall in no event be obligated to register any securities pursuant to the 1933 Act or applicable state or foreign law or to take any other action in order to cause the issuance and delivery of such certificates to comply with any such law, regulation, or requirement.

Section 20. SECTION 409A OF THE CODE

(a) Section 409A. It is the intention of the Company that the Options, Stock Appreciation Rights, and Other Stock-Based Awards (and any combination of the foregoing) issued under the Plan will be exempt from, or will comply with the requirements of, section 409A of the Code, and the Plan and the terms and conditions of all Plan Awards shall be interpreted, construed and administered consistent with such intent.

(b) No Indemnity. Although the Company intends to administer the Plan and the Plan Awards in compliance with section 409A of the Code or an exemption thereto, the Company does not warrant that the terms of any Plan Award or the Company's administration thereof will be exempt from, or will comply with the requirements of, section 409A of the Code. The Company shall not be liable to any

Participant or any other person for any tax, interest, or penalties that the person may incur as a result of a Plan Award or the Company’s administration thereof not satisfying any of the requirements of Section 409A

Exhibit 15

November 8, 2011

Sykes Enterprises, Incorporated
400 North Ashley Drive
Tampa, FL 33602

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Sykes Enterprises, Incorporated and subsidiaries for the three and nine month periods ended September 30, 2011 and 2010 and the three month period ended December 31, 2010, as indicated in our report dated November 8, 2011; 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, 2011, is incorporated by reference in Registration Statement Nos. 333-23681, 333-76629, 333-88359, 333-73260, and 333-125178 on Form 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 Statement 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 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a)

I, Charles E. Sykes, certify that:

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

2. Based on my knowledge, this 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 report;

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

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: November 8, 2011

/s/ Charles E. Sykes

Charles E. Sykes, President, Chief Executive Officer and Director

EXHIBIT 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a)**

I, W. Michael Kipphut, certify that:

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

2. Based on my knowledge, this 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 report;

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

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: November 8, 2011

/s/ W. Michael Kipphut

W. Michael Kipphut, Executive Vice President and Chief Financial Officer

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 ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles E. Sykes, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350:

(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 8, 2011

By: /s/ Charles E. Sykes
Charles E. Sykes
President and Chief Executive Officer and Director

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

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 ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. Michael Kipphut, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350:

(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 8, 2011

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.