

2009 **SYKES**[®]
ANNUAL REPORT



Growth

FOCUS

Strength

Service

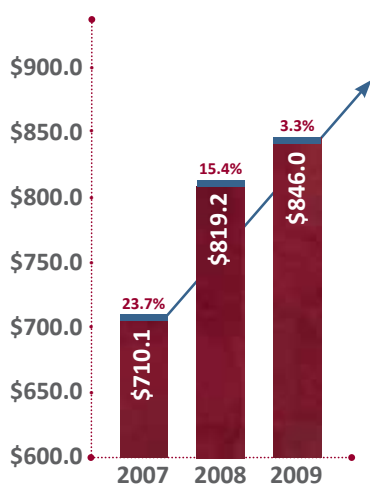
Performance

Corporate Profile

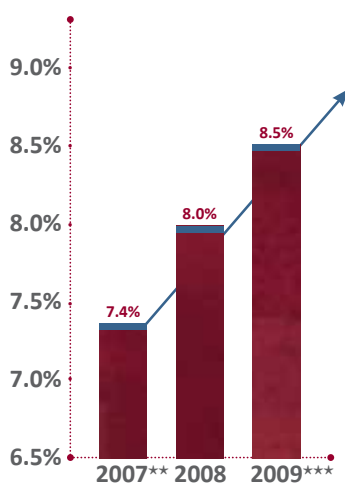
SYKES is a global leader in providing customer contact management solutions and services in the business process outsourcing (BPO) arena. SYKES provides an array of sophisticated customer contact management solutions to Fortune 1000 companies around the world, primarily in the communications, financial services, healthcare, technology and transportation and leisure industries. SYKES specializes in providing flexible, high-quality customer support outsourcing solutions with an emphasis on inbound technical support and customer service. Headquartered in Tampa, Florida, with customer contact management centers throughout the world, SYKES provides its services through multiple communication channels encompassing phone, e-mail, Web and chat. Utilizing its integrated onshore/offshore global delivery model, SYKES serves its clients through two geographic operating segments: the Americas (United States, Canada, Latin America and Asia Pacific) and EMEA (Europe, Middle East and Africa). SYKES also provides various enterprise support services in the Americas and fulfillment services in EMEA, which include multilingual sales order processing, payment processing, inventory control, product delivery and product returns handling. For additional information, please visit www.sykes.com.

Financial Highlights

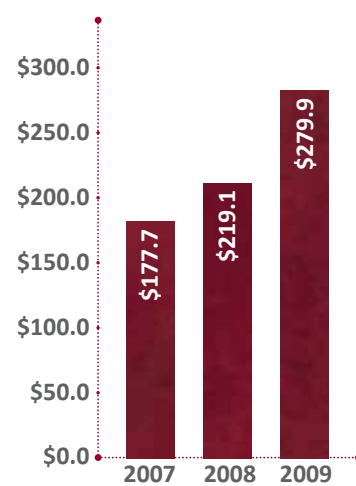
	2007	2008	2009
Revenues (\$ in millions)	\$ 710.1	\$ 819.2	\$ 846.0
Operating Margins	7.4%	8.0%	8.5%
Cash and Cash Equivalents	\$ 177.7	\$ 219.1	\$ 279.9



Revenues
(\$ in millions)



Operating Margins



Cash and Cash Equivalents
(\$ in millions)

** Excludes provision related to regulatory penalties in 2007, 0.2% of revenues.

*** Excludes Canada's KLA impairment in 2009, 0.2% of revenues.



Charles E. Sykes (front)
President and
Chief Executive Officer

W. Michael Kipphut (back)
Senior Vice President and
Chief Financial Officer

Dear Shareholders,

For SYKES, 2009 was another year of solid accomplishments and measurable results amid an extremely difficult market environment. In our 2008 shareholder letter, we explained how lessons learned in the 2001 recession and actions taken since then to reposition the company left us well-placed heading into 2009. We are pleased to report that those actions paid off. Despite the recession, which

officially began in the fourth quarter of 2007 and intensified through the first-half of 2009, coupled with the stiff currency headwinds, we turned in a number of notable achievements. We earned record revenues of \$846 million. We delivered best-in-class revenue growth of 3.3%, or more than double to 8.3% on a constant currency basis. We posted operating margins of 8.3%, or 8.5% excluding the KLA impairment, the highest in more than a decade. We handily outpaced various market indexes, including the Russell 2000 Index and the S&P Small Cap 600 Index, with our share price rising 33% for the year versus increases of 25% and 24% in each index, respectively. At the same time, we took steps to fortify our strategic position in the marketplace, which generated favorable feedback from investors.

Opportunities often emerge during challenging times. In our last shareholder letter, we said the economic slowdown put us in a good position to capitalize on our financial strength. One such strategic opportunity did emerge, and it marked a significant milestone for all SYKES stakeholders. On October 5, 2009, we signed a definitive agreement to acquire ICT Group, an industry veteran with more than two decades of operating history in the customer contact management industry. The strategic rationale behind the acquisition was extremely compelling, making it a win-win for our clients, employees and shareholders. This transaction, which closed February 2, 2010, advanced the core elements of our business strategy instantly by:

- creating a combined company with more than \$1.2 billion in revenues, while greatly expanding our portfolio of clients with minimal client overlap;
- broadening our reach into government, healthcare and utilities verticals;
- strengthening our domestic delivery footprint and expanding our global delivery footprint to 23 countries, including Mexico, India and Australia;
- building deeper expertise within the financial services and telecom verticals, the two largest market segments in the customer contact management industry;
- increasing the opportunity for sustainable long-term revenue growth and operating margin expansion by leveraging general and administrative expenses over a larger revenue base; and
- diversifying risk while sustaining an already-strong financial position.

We have often been asked about our plans to deploy the cash on our balance sheet. We have consistently signaled that the optimal use of cash is for acquisitions, and we are confident that the acquisition of ICT Group will prove this point. As the industry trend continues toward outsourcing more processes to fewer vendors, our ability to leverage ICT Group's solid business platform will clearly demonstrate that this was the right transaction, with the right partner, at the right time.

Industry Backdrop

A look at the state of the customer contact management industry puts our relatively strong 2009 financial performance into context and clarifies how SYKES' positioning – particularly our geographic and vertical diversification – influenced our growth. Given the economic contraction in the U.S. and European economies, industry-wide demand for customer contact management services dropped markedly in 2009. No industry vertical market went untouched, though some did fare slightly better than others. For example, the communications and financial services verticals, which are core to our business and together represent 51% of our revenues, experienced steady growth. In contrast, verticals that are economically sensitive and driven by discretionary spending, including technology and transportation, which together contribute 39% of our revenues, saw a drop in demand. Growth also varied by geography, as well as by clients, services and lines of business. Our Americas segment, which constitutes 71% of total revenues and includes the U.S. – the largest addressable market in the industry – was 12% higher on a constant currency basis, down from 16% in 2008, but still impressive in light of the challenging environment. This growth was driven by a combination of organic and external factors. We realized organic growth from clients who outsourced a greater portion of their in-house capacity, as well as clients who realized strong end-market growth for their services. Meanwhile, we generated external growth by increasing our market share in the wake of vendor consolidation.

In comparison, demand within the Europe, Middle East and Africa (EMEA) segment, which represents 29% of our total revenues, was considerably muted. With roughly half of our EMEA revenues coming from the economically sensitive technology vertical, constant currency revenue growth dropped to around 1%, down from nearly 15% last year. We also encountered other challenges. For example, within the United Kingdom (UK), we had just started to make headway in diversifying into the financial services and away from the technology vertical. Our momentum in this undertaking was hampered when the de-facto nationalization of some of our targeted UK clients prompted them to defer decision making regarding outsourcing customer contact management services.

Still, by broadening our growth drivers through vertical and geographic diversification, we were able to counterbalance the drag from EMEA and drive overall revenue growth.

Competitive Dynamics

Despite the weak industry demand picture, the competitive landscape, while still intense, remained relatively rational. Unlike the last downturn, which triggered irrational pricing behavior among competitors, this downturn was characterized by greater discipline, with some competitors even electing to exit what they viewed as sub-profitable client relationships. We believe that this discipline was partly due to the need for competitors to focus on their individual operational challenges, which ranged from offshore client migration to proactively rationalizing excess capacity. At the other end of the spectrum, many clients themselves were seemingly risk-averse about working with financially weak players. And some competitors – those financially leveraged who wanted to refinance or those backed by private equity and seeking a public market exit – realized that investors were likely to scrutinize companies willing to buy market share at the expense of profitability.

There were other noteworthy developments on the competitive front. Our biggest source of competition, in some cases, is our clients' own in-house (captive) customer contact management centers. In the past, a weak economy often drove clients to eliminate



“Our priorities in 2010 are to execute our key strategic initiatives while carefully managing the integration of ICT Group.”

Global Locations

MARKET/DELIVERY FOOTPRINT



Argentina
Australia
Brazil
Canada
China
Costa Rica

Denmark
El Salvador
Finland
Germany
Hungary
India

Ireland
Italy
Mexico
Netherlands
Philippines
Scotland

Slovakia
South Africa
Spain
Sweden
United States

outsourcers in order to utilize their captive operations. However, the severity of the current recession and the corresponding financial impact prompted some of our clients to reconsider running large captive operations. In fact, we saw some clients – who operate mostly in the technology and financial services verticals – sell their captive operations, particularly those located offshore, piecemeal to third-party customer contact management outsourcers. Historically, such sales were motivated by clients opportunistically monetizing their investments during periods of strong economic growth. The fact that these sales came during a recession points to a growing awareness among clients with captive operations that outsourcing to pure-play third-party providers is the best way to achieve lower costs, greater operational flexibility, mitigate reputational risk and manage business continuity.

Focus in 2010: Enhance Foundational Strength and Integrate the Acquisition

Our priorities in 2010 are to execute our key strategic initiatives while carefully managing the integration of ICT Group.

One of these strategic initiatives is to add new geographies to our global delivery model, with beachheads in the EMEA region. This will not only help our clients enter new markets, but also broaden the addressable market opportunity for SYKES. At the same time, we expect to optimize seat capacity in response to a favorable real estate backdrop and changing client demand, with an ongoing focus on driving capacity utilization rates. Our sales efforts will remain focused on leveraging demand within the financial services and telecom verticals, especially beyond the Americas region, as we continue to diversify away from the technology vertical within the EMEA region. Finally, we remain committed to investing in and better utilizing new service delivery platforms, including at-home agents. Although we are successfully using at-home agents in Canada, we are working to refine the model for broader adoption across our markets, verticals and clients.

On the integration front, we are off and running. In fact, we began laying the groundwork for the integration process even before the acquisition was completed. We established integration teams across each functional area supported by external subject-matter experts with proven integration experience. We also assembled a dedicated client- and employee-facing

communications team to address on-going questions that might arise and provide progress updates. We expect to fully integrate the acquisition over the next 12 to 18 months in a phased approach, generating \$20 million in projected annualized synergies. Broadly speaking, synergies will come from two primary sources. The first of these is the elimination of duplicate public company costs and certain positions at the corporate level, which represents around 90% of total gross synergies. We expect to achieve these in 2010. The second is the sharing of best practices, process alignment and optimization across the company, which represents the balance of the projected gross synergies and will be realized more gradually.

We recognize that the process of integration is seldom tidy and linear, but we have acquired a highly regarded industry peer whose underlying business is the same as our own. As such, we have an intimate knowledge of what it takes to succeed in the business, and we have developed an integration approach that is based on that knowledge and aligned with our strategy.

Moving Forward

In closing, we would like to thank you – our shareholders, clients, employees and Board of Directors – for your continued trust and patience. Your support has been crucial to our management team’s ability to remain focused on managing our business for the long term. And the standout financial performance in 2009 best illustrates that point. With the acquisition of ICT Group, we not only build on our existing foundation, but also have the unique opportunity to transform SYKES into an organization that is unparalleled in our industry. We believe the combined company is far greater than the sum of its parts: It is stronger, more diversified, better positioned to provide superior client service and more capable of driving shareholder value.

While the long-term trends driving the customer contact management industry remain favorable, we believe some cautious optimism is warranted near term. A number of factors are in play. The demand environment remains mixed. Already some clients are either changing their customer care strategies or winding down support for certain programs. Merger and acquisition activity among our clients, likewise, presents both opportunities and challenges. Together with mixed demand, the dollar continues to experience volatility, which could create additional headwind. Growth, in part, will depend not only on the strength of the economic recovery, but also on the end-market demand for our clients’ products and services. At the same time, visibility regarding revenue growth opportunities and costs is clouded by a wave of proposed legislative measures, ranging from the pending healthcare reform bill, to the Employee Free Choice Act, to cap-and-trade, to the Credit Card Act of 2009, key elements of which went into effect in February 2010. Yet, with our sustained focus on our core business, emphasis on operational excellence, investment in our global delivery footprint and markets, continued vertical diversification and sustained financial strength, we remain well aligned to manage through not only the challenges, as demonstrated by our strong results in 2009, but also to capitalize on the opportunities, as we did with the ICT Group acquisition.

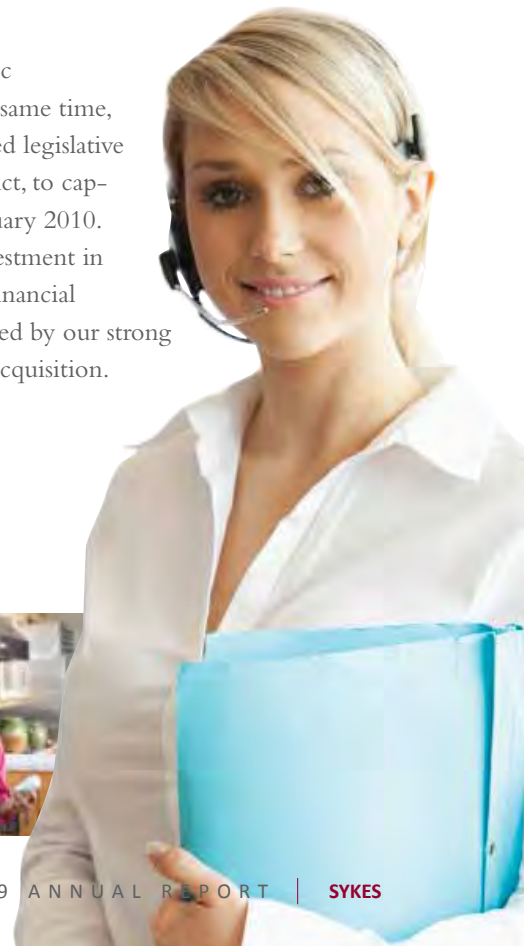
“Your support has been crucial to our management team’s ability to remain focused on managing our business for the long term.”



Charles E. Sykes
President and Chief Executive Officer



W. Michael Kipphut
Senior Vice President and Chief Financial Officer



UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

Annual Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934
For the fiscal year ended December 31, 2009

Or

Transition Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934
For The Transition Period From ____ To ____

Commission File Number 0-28274

Sykes Enterprises, Incorporated

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of
incorporation or organization)

56-1383460

(IRS Employer
Identification No.)

400 N. Ashley Drive, Tampa, Florida

(Address of principal executive offices)

33602

(Zip Code)

(813) 274-1000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
Common Stock \$.01 Par Value	NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes

No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes

No

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 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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

The aggregate market value of the shares of voting common stock held by non-affiliates of the Registrant computed by reference to the closing sales price of such shares on the NASDAQ Global Select Market on June 30, 2009, the last business day of the Registrant's most recently completed second fiscal quarter, was \$621,159,907.

As of February 11, 2010, there were 47,401,365 outstanding shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE:

Documents	Form 10-K Reference
Portions of the Proxy Statement for the year 2010 Annual Meeting of Shareholders	Part III Items 10-14

TABLE OF CONTENTS

	Page No.
PART I	
Item 1 Business	3
Item 1A Risk Factors.....	13
Item 1B Unresolved Staff Comments.....	19
Item 2 Properties	20
Item 3 Legal Proceedings	22
Item 4 Reserved	22
PART II	
Item 5 Market for the Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.....	23
Item 6 Selected Financial Data	25
Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations ..	26
Item 7A Quantitative and Qualitative Disclosures About Market Risk	44
Item 8 Financial Statements and Supplementary Data	45
Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure ..	45
Item 9A Controls and Procedures	45
Item 9B Other Information.....	47
PART III	
Item 10 Directors, Executive Officers and Corporate Governance	47
Item 11 Executive Compensation	47
Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters	47
Item 13 Certain Relationships and Related Transactions, and Director Independence	47
Item 14 Principal Accountant Fees and Services	47
PART IV	
Item 15 Exhibits and Financial Statement Schedules.....	48

PART I

Item 1. Business

General

Sykes Enterprises, Incorporated and consolidated subsidiaries (“SYKES,” “our,” “us” or “we”) is a global leader in providing outsourced customer contact management solutions and services in the business process outsourcing (“BPO”) arena. 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, technology/consumer, financial services, healthcare, and transportation and leisure industries. We serve our clients through two geographic operating regions: the Americas (United States, Canada, Latin America and Asia Pacific) and EMEA (Europe, 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 includes customer assistance, healthcare and roadside assistance, technical support and product sales to our client’s customers. These services are delivered through multiple communications channels including phone, e-mail, Web and chat. We also provide various enterprise support services in the United States 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, inventory control, product delivery and product returns handling. (See Note 24 to the accompanying Consolidated Financial Statements for information on our segments.) 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 and Africa. We deliver cost-effective solutions that enhance the customer service experience, promote stronger brand loyalty, and bring about high levels of performance and profitability.

SYKES was founded in 1977 in North Carolina and we moved our headquarters to Florida in 1993. In March 1996, we changed our state of incorporation from North Carolina to Florida. Our headquarters are located at 400 North Ashley Drive, 28th Floor, Tampa, Florida 33602, and our telephone number is (813) 274-1000.

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

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, as well as our proxy statements and other materials which are filed with or furnished to the Securities and Exchange Commission (“SEC”) are made available, free of charge, on or through our Internet website at www.sykes.com (click on “Investor Relations” and then “SEC Filings” under the heading “Financial Information”) as soon as reasonably practicable after they are filed with, or furnished to, the SEC.

Industry Overview

We believe that growth for outsourced customer contact management solutions and services will be fueled by the trend of global Fortune 1000 companies and medium sized businesses turning to outsourcers to provide high quality, cost-effective, value added customer contact management solutions. Businesses continue to move toward integrated solutions that consist of a combination of support from our onshore markets in the United States, Canada and Europe and offshore markets in the Asia Pacific Rim and Latin America.

In today’s ever-changing marketplace, companies require innovative customer contact management solutions that allow them to enhance the end user’s experience with their products and services, strengthen and enhance their company brands, maximize the lifetime value of their customers, efficiently and effectively deliver human interaction when customers value it most, and deploy best in-class customer management strategies, processes and technologies.

Global competition, pricing pressures, softness in the global economy and rapid changes in technology continue to make it difficult for companies to cost effectively maintain the in-house personnel necessary to handle all their customer contact management needs. As a result, companies are increasingly turning to outsourcers to perform specialized functions and services in the customer contact management arena. By working in partnership with outsourcers, companies can ensure that the crucial task of retaining and growing their customer base is addressed.

Companies outsource customer contact management solutions for various reasons, including the need to focus on core competencies, to drive service excellence and execution, to achieve cost savings, to scale and grow geographies and niche markets, and to efficiently allocate capital within their organizations.

To address these needs, we offer global customer contact management solutions that focus on proactively identifying and solving our clients' business challenges. We provide consistent high-value support for our clients' customers across the globe in a multitude of languages, leveraging our dynamic, secure communications infrastructure and our global footprint that reaches across 23 countries. This global footprint includes established operations in both onshore and offshore geographic markets where companies have access to high quality customer contact management solutions at lower costs compared to other markets.

Business Strategy

Our goal is to proactively provide enhanced and value added customer contact management solutions and services, acting as a partner in our client's business. We anticipate trends and deliver new ways of growing our clients' customer satisfaction and retention rates, thus profit, through timely, insightful and proven solutions.

Our business strategy encompasses building long-term client relationships, capitalizing on our expert worldwide response team, leveraging our depth of relevant experience and expanding both organically and through acquisitions. The principles of this strategy include the following:

Build Long-term Client Relationships Through Operational Excellence. We believe that providing high-value, high-quality service is critical in our clients' decisions to outsource and in building long-term relationships with our clients. To ensure service excellence and consistency across each of our centers globally, we leverage a portfolio of techniques including SYKES Standard of Excellence ("SSE"). This standard is a compilation of more than 30 years of experience and best practices. Every customer contact management center strives to meet or exceed the standard, which addresses leadership, hiring and training, performance management down to the agent level, forecasting and scheduling, and the client relationship including continuous improvement, disaster recovery plans and feedback.

Capitalize on our Worldwide Response Team. Companies are demanding a customer contact management solution that is global in nature — one of our key strengths. In addition to our network of customer contact management centers throughout North America and Europe, we continue to develop our global delivery model with operations in the Philippines, The Peoples Republic of China, Costa Rica, El Salvador, Argentina and Brazil, offering our clients a secure, high quality solution tailored to the needs of their diverse and global markets. With the acquisition of ICT, we expanded our global delivery model with operations in Mexico, India and Australia.

Maintain a Competitive Advantage Through Technology Solutions. For more than 30 years, we have been an innovative pioneer in delivering customer contact management solutions. We seek to maintain a competitive advantage and differentiation by utilizing technology to consistently deliver innovative service solutions, ultimately enhancing the client's relationship with its customers and generating revenue growth. This includes knowledge solutions for agents and end customers, automatic call distributors, intelligent call routing and workforce management capabilities based on agent skill and availability, call tracking software, quality management systems and computer-telephony integration ("CTI"). CTI enables our customer contact management centers to serve as transparent extensions for our clients, receive telephone calls and data directly from our clients' systems, and report detailed information concerning the status and results of our services on a daily basis.

Through strategic technology relationships, we are able to provide fully integrated communication services encompassing e-mail, chat and Web self-service platforms. In addition, the European deployment of Global Direct, our customer relationship management ("CRM")/ e-commerce application utilized within the fulfillment operations, establishes a platform whereby our clients can manage all customer profile and contact information from every communication channel, making it a viable customer-facing infrastructure solution to support their CRM initiatives.

We are also continuing to capitalize on sophisticated technological capabilities, including our current digital private network that provides us the ability to manage call volumes more efficiently by load balancing calls and data between customer contact management centers over the same network. Our converged voice and data digital communications network provides a high-quality, fault tolerant global network for the transport of Voice Over Internet Protocol communications and fully integrates with emergent Internet Protocol telephony systems as well as traditional Time Domain Multiplexing telephony systems. Our flexible, secure and scalable network infrastructure

allows us to rapidly respond to changes in client voice and data traffic and quickly establish support operations for new and existing clients.

Continue to Grow Our Business Organically and through Acquisitions. We have grown our customer contact management outsourcing operations utilizing a strategy of both internal organic growth and external acquisitions. Acquisition candidates that can, among other competencies, expand our service offerings, broaden our geographic footprint, allow us access to new technology and are synergistic in nature will be given consideration. On February 2, 2010, we completed the ICT acquisition. The strategic rationale behind the acquisition was as follows:

- *Expanded Client Portfolio.* Each of the top 14 clients of ICT, representing approximately 63% of total ICT revenues, is a new client for us.
- *Accelerated Entry into New Verticals.* ICT has clients in the U.S. government and utilities verticals, which are new to us. Accordingly, the ICT acquisition provides an entry into those verticals on an accelerated basis.
- *Deeper Expertise within Financial and Telecom Verticals.* We have made significant inroads into the financial and telecom services verticals. As ICT has expertise in these two verticals, the ICT acquisition allows us to quickly build deeper expertise in these verticals which are increasingly significant in the customer contact management solutions and services industry.
- *Extended Delivery Footprint.* The ICT acquisition extends our geographical footprint into India, Mexico and Australia, providing us with additional delivery capabilities for our existing clients.
- *Sustainable Revenue Growth and Margin Expansion.* The addition of ICT's clients to our portfolio, together with ICT's expertise in certain verticals, provides us with the ability to provide a greater depth of services to existing clients, thereby creating revenue growth rates that are expected to be more consistent and sustainable than can be achieved by growth solely from a new client sales pipeline. Additionally, the increase in annual revenues permits the leverage of our infrastructure to improve and sustain margins.
- *Revenue Scale.* The increase in annual revenues resulting from the ICT acquisition allows us to pursue client acquisition opportunities that are larger and more complex in scope.
- *Reduced Client Concentration.* The addition of new clients in new verticals to our existing client portfolio further reduces our client concentration, thereby further mitigating our risk profile.
- *ICT Acquisition Consideration Mix.* The terms of the ICT acquisition providing for each of ICT's 16.364 million outstanding shares of common stock to be converted into \$7.69 in cash and 0.3423 of a share of SYKES stock allowed us to achieve the benefits of the ICT acquisition without depleting our cash reserves, thereby maintaining a strong balance sheet.
- *Realization of Synergies.* Potential annual synergies of approximately \$20 million are expected to be realized as a result of the ICT acquisition. These synergies will be realized primarily through the elimination of duplicative general and administrative expenses, operational synergies and implementation of our lower cost structure.

Growth Strategy

Applying the key principles of our business strategy, we execute our growth strategy by focusing on increasing capacity utilization rates and adding seat capacity, broadening our global delivery footprint, increasing share of seats within existing and new clients, diversifying verticals and expanding service lines, advancing horizontal service offerings and add-on enhancements and continuing to focus on expanding markets.

Increasing Capacity Utilization Rates and Adding Seat Capacity. The key driver of our revenues is increasing capacity utilization rate in conjunction with seat capacity additions. With the acquisition of ICT, our combined companies' seats increased to 45,200 from 32,700 on a standalone basis for SYKES. We plan to sustain our focus on increasing the capacity utilization rate further while adding or rationalizing seat capacity as deemed necessary.

Broadening Global Delivery Footprint. Just as increased capacity utilization rates and increased seat capacity are key drivers of our revenues, where we deploy the seat capacity geographically is also important. By broadening and continuously strengthening our global delivery footprint, we are able to meet both our existing and new clients' customer contact management needs globally as they enter new markets. Through the ICT acquisition, our footprint increases to 23 countries from 20 countries on a standalone basis for SYKES.

Increasing Share of Seats within Existing Clients and Penetrating New Clients. We provide customer contact management support to over 100 multinational companies. With this client list, we have the opportunity to grow our client base. We strive to achieve this by winning a greater share of our clients' in-house seats as well as gain share from our competitors by providing consistently high quality of service. In addition as we further leverage our knowledge of verticals and business lines, we plan to penetrate new clients as a way to broaden our base of growth.

Diversifying Verticals and Expanding Service Lines. To mitigate the impact of economic and product cycles on our growth rate, we continue to seek ways to diversify into verticals and service lines that have countercyclical features and healthy growth rates. We are targeting the following verticals for growth: communications, financial services, technology, healthcare and travel and transportation. These verticals cover various business lines, including wireless services, broadband, retail banking, credit card/consumer fraud protection, content moderation, telemedicine and travel portals. The ICT acquisition expands our presence in the government and utilities verticals, in addition to our target verticals.

Advancing Horizontal Service Offerings and Add-On Enhancements. To improve both revenue and margin expansion, we will continue to introduce new service offerings and add-on enhancements. Bi-lingual customer support offering and back office services are examples of horizontal service offerings, while data analytics and process improvement products are examples of add-on enhancements.

Continuing to Focus on Expanding Markets. As part of our growth strategy, we continually seek to expand the number of markets we serve. The United States, Canada and Germany, for instance, are markets, which are served by either in-country or from offshore regions, or a combination thereof. We continually seek ways to broaden the addressable market for our customer contact management services. ICT expands our market presence to 18 from 17 on a standalone basis for SYKES.

Services

We specialize in providing inbound outsourced customer contact management solutions in the BPO arena on a global basis. Our customer contact management services are provided through two operating segments — the Americas and EMEA. The Americas region, representing 70.6% of consolidated revenues in 2009, includes the United States, Canada, Latin America and Asia Pacific. The sites within Latin America and Asia Pacific are included in the Americas region as they provide a significant service delivery vehicle for U.S. based companies that are utilizing our customer contact management solutions in these locations to support their customer care needs. The EMEA region, representing 29.4% of consolidated revenues in 2009, includes Europe, the Middle East and Africa. For further information about segments, see Note 24, Segments and Geographic Information, to our Consolidated Financial Statements. In 2010, we will report ICT's contact management services under the same two operating segments between Americas and EMEA, with the new countries, Australia, Mexico and India included within the Americas segment. The following is a description of our customer contact management solutions:

Outsourced Customer Contact Management Services. Our outsourced customer contact management services represented approximately 97% of total 2009 consolidated revenues. Each year we handle over 250 million customer contacts including phone, e-mail, Web and chat throughout the Americas and EMEA regions. We provide these services utilizing our advanced technology infrastructure, human resource management skills and industry experience. These services include:

- Customer care — Customer care contacts primarily include product information requests, describing product features, activating customer accounts, resolving complaints, handling billing inquiries, changing addresses, claims handling, ordering/reservations, prequalification and warranty management, providing health

information and roadside assistance;

- Technical support — Technical support contacts primarily include handling inquiries regarding hardware, software, communications services, communications equipment, Internet access technology and Internet portal usage; and
- Acquisition — Our acquisition services are primarily focused on inbound up-selling of our client's products and services.

We provide these services, primarily inbound customer calls, through our extensive global network of customer contact management centers in a multitude of languages. Our technology infrastructure and managed service solutions allow for effective distribution of calls to one or more centers. These technology offerings provide our clients and us with the leading edge tools needed to maximize quality and customer satisfaction while controlling and minimizing costs.

Fulfillment Services. In Europe, we offer fulfillment services that are integrated with our customer care and technical support services. Our fulfillment solutions include multilingual sales order processing via the Internet and phone, payment processing, inventory control, product delivery and product returns handling.

Enterprise Support Services. In the United States, we provide a range of enterprise support services including technical staffing services and outsourced corporate help desk solutions.

With the acquisition of ICT, we strengthen our suite of service offerings as ICT's portfolio of service offerings include customer care/retention, technical support, cross-selling/upselling, collections and back-office processing. Except for collections (which are not material), these service offerings are similar to what we provide to our clients.

Operations

Customer Contact Management Centers. At the end of 2009, we operated across 20 countries in 49 customer contact management centers, which breakdown as follows: 18 centers across Europe and South Africa, 13 centers in the United States, one center in Canada and 17 centers offshore, including The Peoples Republic of China, the Philippines, Costa Rica, El Salvador, Argentina and Brazil.

In an effort to stay ahead of industry off-shoring trends, we opened our first customer contact management centers in the Philippines and Costa Rica over ten years ago. Over the past ten years, through 2009, we have expanded beyond centers in the Philippines and Costa Rica, and into centers in The People's Republic of China, El Salvador, Argentina and Brazil.

With the ICT acquisition, we added 38 customer contact management centers, which breakdown as follows: 2 centers in Europe, 15 centers in the United States, 9 centers in Canada and 12 centers offshore, including The Peoples Republic of China, the Philippines, Australia, India, Costa Rica, Argentina and Mexico. This brings the total number of our customer contact management centers to 87.

We utilize a sophisticated workforce management system to provide efficient scheduling of personnel. Our internally developed digital private communications network complements our workforce by allowing for effective call volume management and disaster recovery backup. Through this network and our dynamic intelligent call routing capabilities, we can rapidly respond to changes in client call volumes and move call volume traffic based on agent availability and skill throughout our network of centers, improving the responsiveness and productivity of our agents. We also can offer cost competitive solutions for taking calls to our offshore locations.

Our sophisticated data warehouse captures and downloads customer contact information for reporting on a daily, real time and historical basis. This data provides our clients with direct visibility into the services that we are providing for them. The data warehouse supplies information for our performance management systems such as our agent scorecarding application, which provides management with the information required for effective management of our operations.

Our customer contact management centers are protected by a fire extinguishing system, backup generators with significant capacity and 24 hour refueling contracts and short-term battery backups in the event of a power outage, reduced voltage or a power surge. Rerouting of call volumes to other customer contact management centers is also available in the event of a telecommunications failure, natural disaster or other emergency. Security measures are

imposed to prevent unauthorized physical access. Software and related data files are backed up daily and stored off site at multiple locations. We carry business interruption insurance covering interruptions that might occur as a result of certain types of damage to our business.

ICT utilizes a similar set of tools to efficiently and effectively manage its operations and service its clients. These tools include workforce management for efficient scheduling, data warehousing for performance management, disaster recovery backup, dynamic intelligent call routing capabilities based on agent availability and a cost competitive offshore solution.

Fulfillment Centers. We currently have two fulfillment centers located in Europe. We provide our fulfillment services primarily to certain clients operating in Europe who desire this complementary service in connection with outsourced customer contact management services.

Enterprise Support Services Offices. Our two enterprise support services offices are located in metropolitan areas in the United States to provide a recruiting platform for high-end knowledge workers and to establish a local presence to service major accounts.

Quality Assurance

We believe that providing consistent high quality service is critical in our clients' decisions to outsource and in building long-term relationships with our clients. It is also our belief and commitment that quality is the responsibility of each individual at every level of the organization. To ensure service excellence and continuity across our organization, we have developed an integrated Quality Assurance program consisting of three major components:

- The certification of client accounts and customer contact management centers to the SSE and Site of Excellence programs;
- The application of continuous improvement through application of our Data Analytics and Six Sigma techniques; and
- The application of process audits to all work procedures.

The SSE program is a quality certification standard that was developed based on our more than 30 years of experience, and best practices from industry standards such as the Malcolm Baldrige National Quality Award and COPC. It specifies the requirements that must be met in each of our customer contact management centers including measured performance against our standard operating procedures. It has a well-defined auditing process that ensures compliance with the SSE standards. Our focus is on quality, predictability and consistency over time, not just point in time certification.

The application of continuous improvement is established by SSE and is based upon the five-step Six Sigma cycle, which we have tuned to apply specifically to our service industry. All managers are responsible for continuous improvement in their operations.

Process audits are used to verify that processes and procedures are consistently executed as required by established documentation. Process audits are applicable to services being provided for the client and internal procedures.

Sales and Marketing

Our sales and marketing objective is to leverage our expertise and global presence to develop long-term relationships with existing and future clients. Our customer contact management solutions have been developed to help our clients acquire, retain and increase the value of their customer relationships. Our plans for increasing our visibility include market focused advertising, consultative personal visits, participation in market specific trade shows and seminars, speaking engagements, articles and white papers, and our website.

Our sales force is composed of business development managers who pursue new business opportunities and strategic account managers who manage and grow relationships with existing accounts. We emphasize account development to strengthen relationships with existing clients. Business development management and strategic account managers are assigned to markets in their area of expertise in order to develop a complete understanding of each client's particular needs, to form strong client relationships and encourage cross-selling of our other service

offerings. We have inside customer sales representatives who receive customer inquiries and who provide outbound lead generation for the business development managers. We also have relationships with channel partners including systems integrators, software and hardware vendors and value-added resellers, where we pair our solutions and services with their product offering or focus. We plan to maintain and expand these relationships as part of our sales and marketing strategy.

As part of our marketing efforts, we invite existing and potential clients to visit our customer contact management centers, where we can demonstrate the expertise of our skilled staff in partnering to deliver new ways of growing clients' customer satisfaction and retention rates, and thus profit, through timely, insightful and proven solutions. During these visits, we demonstrate our ability to quickly and effectively support a new client or scale business from an existing client by emphasizing our systematic approach to implementing customer contact solutions throughout the world.

ICT employs a similar sales and marketing approach utilizing a combination of business development managers, who pursue new clients, and strategic account managers, who expand relationship with existing clients. ICT also has a lead generation group that supports the business development managers in responding to inquiries and requests for proposals. On the marketing side, ICT showcases its capabilities and customer contact management centers through client visits.

Clients

In 2009, we provided service to hundreds of clients from our locations in the United States, Canada, Latin America, Europe, the Philippines, The Peoples Republic of China, India and South Africa. These clients are Fortune 1000 corporations, medium sized businesses and public institutions, which span the communications, technology/consumer, financial services, healthcare, and transportation and leisure industries. Revenue by vertical market for 2009, as a percentage of our consolidated revenues, was 36% for communications, 30% for technology/consumer, 15% for financial services, 9% for transportation and leisure, 5% for healthcare, and 5% for all other vertical markets, including government-related and utilities. We believe our globally recognized client base presents opportunities for further cross marketing of our services.

Total consolidated revenues included \$111.3 million, or 13.2%, of consolidated revenues for 2009 from AT&T Corporation, a major provider of communication services for which we provide various customer support services, compared to \$54.5 million, or 6.7% for 2008. This included \$102.1 million in revenue from the Americas and \$9.2 million in revenue from EMEA for 2009 and \$44.8 million in revenue from the Americas and \$9.7 million in revenue from EMEA for 2008. Our top ten clients accounted for approximately 46% of our consolidated revenues in 2009, an increase from 40% in 2008. The loss of (or the failure to retain a significant amount of business with) any of our key clients could have a material adverse effect on our performance. Many of our contracts contain penalty provisions for failure to meet minimum service levels and are cancelable by the client at any time or on short notice. Also, clients may unilaterally reduce their use of our services under our contracts without penalty. With the acquisition of ICT, our broader base of clients and reduced client concentration will result in a lower percentage of consolidated revenues from our top ten clients.

Competition

The industry in which we operate is global, therefore highly fragmented and extremely competitive. While many companies provide customer contact management solutions and services, we believe no one company is dominant in the industry.

In most cases, our principal competition stems from our existing and potential clients' in-house customer contact management operations. When it is not the in-house operations of a client, our public and private direct competition includes TeleTech, Sitel, APAC Customer Services, Convergys, West Corporation, Stream, Aegis BPO, Sutherland, 24/7 Customer, vCustomer, Startek, Atento, Teleperformance, and NCO Group as well as the customer care arm of such companies as Accenture, Wipro, Infosys EDS and IBM. There are other numerous and varied providers of such services, including firms specializing in various CRM consulting, other customer management solutions providers, niche or large market companies, as well as product distribution companies that provide fulfillment services. Some of these companies possess substantially greater resources, greater name recognition and a more established customer base than we do.

We believe that the most significant competitive factors in the sale of outsourced customer contact management

services include service quality, tailored value added service offerings, industry experience, advanced technological capabilities, global coverage, reliability, scalability, security, price and financial strength. As a result of intense competition, outsourced customer contact management solutions and services frequently are subject to pricing pressure. Clients also require outsourcers to be able to provide services in multiple locations. Competition for contracts for many of our services takes the form of competitive bidding in response to requests for proposals.

Intellectual Property

We own and/or have applied to register numerous trademarks and service marks in the United States and/or in many additional countries throughout the world. Our registered trademarks and service marks include SYKES[®], REAL PEOPLE. REAL SOLUTIONS[®], SCIENCE OF SERVICE[®], CLEARCALL[®], I AM SYKES. HOW FAR WILL YOU LET ME TAKE YOU?[®], and APEX A SYKES COMPANY[®]. The duration of trademark registrations varies from country to country, but may generally be renewed indefinitely as long as they are in use and/or their registrations are properly maintained.

The foregoing does not include any of the registered trademarks or service marks owned by ICT, of which we acquired on February 2, 2010.

Summary of Recent Events

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 March 31, 2010, and a \$75 million term loan due in varying installments through February 1, 2013 (the "Term Loan"). The terms of these borrowings are outlined below.

On February 2, 2010, we entered into a new Credit Agreement (the "New Credit Agreement") with a group of lenders and KeyBank, as Lead Arranger, Sole Book Runner and Administrative Agent. The New Credit Agreement provides for a \$75 million 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. We drew down the full \$75 million Term Loan on February 2, 2010 in connection with the acquisition of ICT on such date.

The \$75 million revolving credit facility provided under the New Credit Agreement replaces our previous senior revolving credit facility provided by KeyBank. The \$75 million revolving credit facility includes a \$40 million multi-currency sub-facility, a \$10 million swingline sub-facility and a \$5 million letter of credit sub-facility. The Term Loan and the revolving credit facility will mature on February 1, 2013. The Term Loan is required to be repaid in quarterly amounts commencing on June 30, 2010 and continuing at the end of each quarter thereafter as follows: \$2.5 million per quarter in 2010, \$3.75 million per quarter in 2011, and \$5 million per quarter in 2012, with a final payment due at maturity.

Borrowings under the New 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%. Swing Line 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. The New 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 the direct foreign subsidiaries of SYKES and the guarantors.

On December 11, 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 provides for a \$75 million short-term loan to Sykes Bermuda and requires that Sykes Bermuda and its direct subsidiaries maintain cash and cash equivalents of at least \$80 million at all times. Sykes Bermuda drew down the full \$75 million on December 11, 2009, which was outstanding as of December 31, 2009. The loan, which matures on March 31, 2010, is secured by a pledge of 100% of the non-voting and 65% of the voting capital stock of all the direct subsidiaries of Sykes Bermuda. The Bermuda Credit Agreement requires Sykes Bermuda to prepay the outstanding loan, subject to certain exceptions, with the net cash proceeds of all asset dispositions, debt issuances, and insurance and condemnation proceeds not used to replace or rebuild the affected property. Outstanding amounts bear interest, 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.

Simultaneous with the execution and delivery of the Bermuda Credit Agreement, we entered into a Guaranty of Payment agreement with KeyBank, pursuant to which the obligations of Sykes Bermuda under the Bermuda Credit Agreement are guaranteed by SYKES.

The results of operations of ICT will be reflected in our Consolidated Statement of Operations for periods ending after February 2, 2010.

Employees

As of January 31, 2010, we had approximately 31,300 employees worldwide, including 28,800 customer contact agents handling technical and customer support inquiries at our centers, 2,300 in management, administration, information technology, finance, sales and marketing roles, 100 in enterprise support services, and 100 in fulfillment services.

As of February 2, 2010, after the ICT acquisition, we had approximately 49,200 employees worldwide. The acquisition also provides employees in new markets including 1,380 in Mexico, 230 in Australia and 100 in India.

Our employees, with the exception of approximately 700 from various countries in EMEA, are not union members. We have never suffered a material interruption of business as a result of a labor dispute. Due to laws in their respective countries, Argentina, Brazil and Spain require that wages are collectively bargained for certain non-management employees. The negotiations are conducted at the local, federation or national level, irrespective of the individual employee’s relationship to the union. In the three countries approximately 6,700 employees are governed by laws whereby their wages are determined by collective bargaining: 4,750 in Argentina, 300 in Brazil and 1,650 in Spain. We consider our relations with our employees worldwide to be satisfactory.

We employ personnel through a continually updated recruiting network. This network includes a seasoned team of recruiters, competency-based selection standards and the sharing of global best practices in order to advertise and source qualified candidates through proven recruiting techniques. Nonetheless, demand for qualified professionals with the required language and technical skills may still exceed supply at times as new skills are needed to keep pace with the requirements of customer engagements. As such, competition for such personnel is intense and employee turnover in our industry is high.

Executive Officers

The following table provides the names and ages of our executive officers, and the positions and offices currently held by each of them:

Name	Age	Principal Position
Charles E. Sykes	47	President and Chief Executive Officer and Director
W. Michael Kipphut	56	Senior Vice President and Chief Financial Officer
James C. Hobby	59	Senior Vice President, Global Operations
Jenna R. Nelson	46	Senior Vice President, Human Resources
Daniel L. Hernandez	43	Senior Vice President, Global Strategy
David L. Pearson	51	Senior Vice President and Chief Information Officer
Lawrence R. Zingale	54	Senior Vice President, Global Sales and Client Management
James T. Holder	51	Senior Vice President, General Counsel and Corporate Secretary
William N. Rocktoff	47	Vice President and Corporate Controller

Charles E. Sykes joined SYKES in 1986 and was named President and Chief Executive Officer and Director in August 2004. From July 2003 to August 2004, Mr. Sykes was the Chief Operating Officer. From March 2000 to June 2001, Mr. Sykes was Senior Vice President, Marketing, and in June 2001, he was appointed to the position of General Manager, Senior Vice President — the Americas. From December 1996 to March 2000, he served as Vice President, Sales, and held the position of Regional Manager of the Midwest Region for Professional Services from 1992 until 1996.

W. Michael Kipphut, C.P.A., joined SYKES in March 2000 as Vice President and Chief Financial Officer and was named Senior Vice President and Chief Financial officer in June 2001. From September 1998 to February 2000, Mr. Kipphut held the position of Vice President and Chief Financial Officer for USA Floral Products, Inc., a publicly-held, worldwide, perishable products distributor. From September 1994 until September 1998, Mr. Kipphut held the position of Vice President and Treasurer for Spalding & Evenflo Companies, Inc., a global manufacturer of consumer products. Previously, Mr. Kipphut held various financial positions, including Vice President and Treasurer, in his 17 years at Tyler Corporation, a publicly-held, diversified holding company.

James C. Hobby joined SYKES in August 2003 as Senior Vice President, the Americas, overseeing the daily operations, administration and development of SYKES' customer care and enterprise support operations throughout North America, Latin America, the Asia Pacific Rim and India, and was named Senior Vice President, Global Operations, in January 2005. Prior to joining SYKES, Mr. Hobby held several positions at Gateway, Inc., most recently serving as President of Consumer Customer Care since August 1999. From January 1999 to August 1999, Mr. Hobby served as Vice President of European Customer Care for Gateway, Inc. From January 1996 to January 1999, Mr. Hobby served as the Vice President of European Customer Service Centers at American Express. Prior to January 1996, Mr. Hobby held various senior management positions in customer care at FedEx Corporation since 1983, mostly recently serving as Managing Director, European Customer Service Operations.

Jenna R. Nelson joined SYKES in August 1993 and was named Senior Vice President, Human Resources, in July 2001. From January 2001 until July 2001, Ms. Nelson held the position of Vice President, Human Resources. In August 1998, Ms. Nelson was appointed Vice President, Human Resources, and held the position of Director, Human Resources and Administration, from August 1996 to July 1998. From August 1993 until July 1996, Ms. Nelson served in various management positions within SYKES, including Director of Administration.

Daniel L. Hernandez joined SYKES in October 2003 as Senior Vice President, Global Strategy overseeing marketing, public relations, operational strategy and corporate development efforts worldwide. Prior to joining SYKES, Mr. Hernandez served as President and CEO of SBC Internet Services, a division of SBC Communications Inc., since March 2000. From February 1998 to March 2000, Mr. Hernandez held the position of Vice President/General Manager, Internet and System Operations, at Ameritech Interactive Media Services. Prior to February 1998, Mr. Hernandez held various management positions at US West Communications since joining the telecommunications provider in 1990.

David L. Pearson joined SYKES in February 1997 as Vice President, Engineering, and was named Vice President, Technology Systems Management, in 2000 and Senior Vice President and Chief Information Officer in August 2004. Prior to SYKES, Mr. Pearson held various engineering and technical management roles over a fifteen year period, including eight years at Compaq Computer Corporation and five years at Texas Instruments.

Lawrence R. Zingale joined SYKES in January 2006 as Senior Vice President, Global Sales and Client Management. Prior to joining SYKES, Mr. Zingale served as Executive Vice President and Chief Operating Officer of Startek, Inc. since 2002. From December 1999 until November 2001, Mr. Zingale served as President of the Americas at Stonehenge Telecom, Inc. From May 1997 until November 1999, Mr. Zingale served as President and COO of International Community Marketing. From February 1980 until May 1997, Mr. Zingale held various senior level positions at AT&T.

James T. Holder, J.D., C.P.A. joined SYKES in December 2000 as General Counsel and was named Corporate Secretary in January 2001, Vice President in January 2004 and Senior Vice President in December 2006. From November 1999 until November 2000, Mr. Holder served in a consulting capacity as Special Counsel to Checkers Drive-In Restaurants, Inc., a publicly held restaurant operator and franchisor. From November 1993 until November 1999, Mr. Holder served in various capacities at Checkers including Corporate Secretary, Chief Financial Officer and Senior Vice President and General Counsel.

William N. Rocktoff, C.P.A., joined SYKES in August 1997 as Corporate Controller and was named Treasurer and Corporate Controller in December 1999 and Vice President and Corporate Controller in March 2002. From November 1989 to August 1997, Mr. Rocktoff held various financial positions, including Corporate Controller, at Kimmins Corporation, a publicly-held contracting company.

Item 1A. Risk Factors

Factors Influencing Future Results and Accuracy of Forward - Looking Statements

This report contains 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 us, 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 “may,” “expects,” “projects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” 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 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: the marketplace’s continued receptivity to our terms and elements of services offered under our standardized contract for future bundled service offerings; our ability to continue the growth of our service revenues through additional customer contact management centers; our ability to further penetrate into vertically integrated markets; our ability to expand revenues within the global markets; our ability to continue to establish a competitive advantage through sophisticated technological capabilities, and the following risk factors:

Unfavorable general economic conditions could negatively impact our operating results and financial condition.

Unfavorable general economic conditions, including the economic downturn in the United States and the recent financial crisis affecting the banking system and financial markets, could negatively affect our business. While it is often difficult to predict the impact of general economic conditions on our business, these conditions could adversely affect the demand for some of our client’s products and services and, in turn, could cause a decline in the demand for our services. Also, our clients may not be able to obtain adequate access to credit, which could affect their ability to make timely payments to us. If that were to occur, we could be required to increase our allowance for doubtful accounts, and the number of days outstanding for our accounts receivable could increase. In addition, due to recent turmoil in the credit markets and the continued decline in the economy, we may not be able to renew our revolving credit facility at terms that are as favorable as those terms available under our current credit facility. Also, the group of lenders under our credit facility may not be able to fulfill their funding obligations, which could adversely impact our liquidity. For these reasons, among others, if the current economic conditions persist or

decline, this could adversely affect our revenue, operating results and financial condition, as well as our ability to access debt under comparable terms and conditions.

Our business is dependent on key clients, and the loss of a key client could adversely affect our business and results of operations.

We derive a substantial portion of our revenues from a few key clients. Our top ten clients accounted for approximately 46% of our consolidated revenues in 2009 and we expect this percentage to decrease in 2010 with the acquisition of ICT. The loss of (or the failure to retain a significant amount of business with) any of our key clients could have a material adverse effect on our business, financial condition and results of operations. Many of our contracts contain penalty provisions for failure to meet minimum service levels and are cancelable by the client at any time or on short-term notice. Also, clients may unilaterally reduce their use of our services under these contracts without penalty. Thus, our contracts with our clients do not ensure that we will generate a minimum level of revenues.

Our international operations and expansion involve various risks.

We intend to continue to pursue growth opportunities in markets outside the United States. At December 31, 2009, our international operations in EMEA and the Asia Pacific Rim were conducted from 26 customer contact management centers located in Sweden, the Netherlands, Finland, Germany, South Africa, Scotland, Ireland, Italy, Denmark, Hungary, Slovakia, Spain, The Peoples Republic of China and the Philippines. Revenues from these international operations for the years ended December 31, 2009, 2008, and 2007, were 53%, 57%, and 56% of consolidated revenues, respectively. Revenues from international operations, if combined with ICT's revenues from international operations, for the year ended December 31, 2009 would decrease 7% from 53% to 46%. We also conduct business from nine customer contact management centers located in Argentina, Canada, Costa Rica, El Salvador and Brazil. International operations are subject to certain risks common to international activities, such as changes in foreign governmental regulations, tariffs and taxes, import/export license requirements, the imposition of trade barriers, difficulties in staffing and managing international operations, political uncertainties, longer payment cycles, foreign exchange restrictions that could limit the repatriation of earnings, possible greater difficulties in accounts receivable collection, economic instability as well as political and country-specific risks. Additionally, we have been granted tax holidays in the Philippines, Costa Rica, El Salvador and, India which expire at varying dates from 2010 through 2018. 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 renew them. This could potentially result in adverse tax consequences. Any one or more of these factors could have an adverse effect on our international operations and, consequently, on our business, financial condition and results of operations.

As of December 31, 2009, we had cash balances of approximately \$179.3 million (excluding restricted cash of \$80.3 million) held in international operations, which may be subject to additional taxes if repatriated to the United States. On February 8, 2010, the Finance Committee of our Board of Directors approved management's recommendation to change our assertion regarding the permanent reinvestment of \$85 million of foreign subsidiaries' accumulated and undistributed earnings. Within 24 months, we anticipate using these funds to pay down the \$75 million Term Loan and a \$10 million increase in estimated costs related to the ICT acquisition.

We conduct business in various foreign currencies and are therefore exposed to market risk from changes in foreign currency exchange rates and interest rates, which could impact our results of operations and financial condition. We are also subject to certain exposures arising from the translation and consolidation of the financial results of our foreign subsidiaries. We have, from time to time, taken limited actions, such as using foreign currency forward contracts, to attempt to mitigate our currency exchange exposure. However, there can be no assurance that we will take any actions to mitigate such exposure in the future, and if taken, that such actions will be successful or that future changes in currency exchange rates will not have a material adverse impact on our future operating results. A significant change in the value of the dollar against the currency of one or more countries where we operate may have a material adverse effect on our results.

The fundamental shift in our industry toward global service delivery markets presents various risks to our business.

Clients continue to require blended delivery models using a combination of onshore and offshore support. Our offshore delivery locations include The Peoples Republic of China, the Philippines, Costa Rica, El Salvador,

Argentina and Brazil, and while we have operated in global delivery markets since 1996, there can be no assurance that we will be able to successfully conduct and expand such operations, and a failure to do so could have a material adverse effect on our business, financial condition, and results of operations. The success of our offshore operations will be subject to numerous contingencies, some of which are beyond our control, including general and regional economic conditions, prices for our services, competition, changes in regulation and other risks. In addition, as with all of our operations outside of the United States, we are subject to various additional political, economic, and market uncertainties (see “Our international operations and expansion involve various risks.”). Additionally, a change in the political environment in the United States or the adoption and enforcement of legislation and regulations curbing the use of offshore customer contact management solutions and services could effectively have a material adverse effect on our business, financial condition and results of operations.

Improper disclosure or control of personal information could result in liability and harm our reputation, which could adversely affect our business and results of operations.

Our business involves the use, storage and transmission of information about our employees, our clients and customers of our clients. While we take measures to protect the security and privacy of this information and to prevent unauthorized access, it is possible that our security controls over personal data and other practices we follow may not prevent the improper access to or disclosure of personally identifiable information. Such disclosure could harm our reputation and subject us to liability under our contracts and laws that protect personal data, resulting in increased costs or loss of revenue. Further, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions and countries in which we provide services. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace, which could have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to substantial competition.

The markets for many of our services operate on a commoditized basis and are highly competitive and subject to rapid change. While many companies provide outsourced customer contact management services, we believe no one company is dominant in the industry. There are numerous and varied providers of our services, including firms specializing in call center operations, temporary staffing and personnel placement, consulting and integration firms, and niche providers of outsourced customer contact management services, many of whom compete in only certain markets. Our competitors include both companies who possess greater resources and name recognition than we do, as well as small niche providers that have few assets and regionalized (local) name recognition instead of global name recognition. In addition to our competitors, many companies who might utilize our services or the services of one of our competitors may utilize in-house personnel to perform such services. Increased competition, our failure to compete successfully, pricing pressures, loss of market share and loss of clients could have a material adverse effect on our business, financial condition and results of operations.

Many of our large clients purchase outsourced customer contact management services from multiple preferred vendors. We have experienced and continue to anticipate significant pricing pressure from these clients in order to remain a preferred vendor. These companies also require vendors to be able to provide services in multiple locations. Although we believe we can effectively meet our clients’ demands, there can be no assurance that we will be able to compete effectively with other outsourced customer contact management services companies on price. We believe that the most significant competitive factors in the sale of our core services include the standard requirements of service quality, tailored value added service offerings, industry experience, advanced technological capabilities, global coverage, reliability, scalability, security and price.

Our inability to attract and retain experienced personnel may adversely impact our business.

Our business is labor intensive and places significant importance on our ability to recruit, train, and retain qualified technical and consultative professional personnel. We generally experience high turnover of our personnel and are continuously required to recruit and train replacement personnel as a result of a changing and expanding work force. Additionally, demand for qualified technical professionals conversant in multiple languages, including English, and/or certain technologies may exceed supply, as new and additional skills are required to keep pace with evolving computer technology. Our ability to locate and train employees is critical to achieving our growth objective. Our inability to attract and retain qualified personnel or an increase in wages or other costs of attracting, training, or retaining qualified personnel could have a material adverse effect on our business, financial condition and results of operations. With the acquisition of ICT, the ability to attract and retain sufficient numbers of

experienced personnel may become more difficult.

Our operations are substantially dependent on our senior management.

Our success is largely dependent upon the efforts, direction and guidance of our senior management. Our growth and success also depend in part on our ability to attract and retain skilled employees and managers and on the ability of our executive officers and key employees to manage our operations successfully. We have entered into employment and non-competition agreements with our executive officers. The loss of any of our senior management or key personnel, or the inability to attract, retain or replace key management personnel in the future, could have a material adverse effect on our business, financial condition and results of operations.

Our business is dependent on the trend toward outsourcing.

Our business and growth depend in large part on the industry trend toward outsourced customer contact management services. Outsourcing means that an entity contracts with a third party, such as us, to provide customer contact services rather than perform such services in-house. There can be no assurance that this trend will continue, as organizations may elect to perform such services themselves. A significant change in this trend could have a material adverse effect on our business, financial condition and results of operations. Additionally, there can be no assurance that our cross-selling efforts will cause clients to purchase additional services from us or adopt a single-source outsourcing approach.

Our strategy of growing through selective acquisitions and mergers involves potential risks.

We evaluate opportunities to expand the scope of our services through acquisitions and mergers. We may be unable to identify companies that complement our strategies, and even if we identify a company that complements our strategies, we may be unable to acquire or merge with the company. In addition, a decrease in the price of our common stock could hinder our growth strategy by limiting growth through acquisitions funded with SYKES' stock.

Our acquisition strategy involves other potential risks. These risks include:

- The inability to obtain the capital required to finance potential acquisitions on satisfactory terms;
- The diversion of our attention to the integration of the businesses to be acquired;
- The risk that the acquired businesses will fail to maintain the quality of services that we have historically provided;
- The need to implement financial and other systems and add management resources;
- The risk that key employees of the acquired business will leave after the acquisition;
- Potential liabilities of the acquired business;
- Unforeseen difficulties in the acquired operations;
- Adverse short-term effects on our operating results;
- Lack of success in assimilating or integrating the operations of acquired businesses within our business;
- The dilutive effect of the issuance of additional equity securities;
- The impairment of goodwill and other intangible assets involved in any acquisitions;
- The businesses we acquire not proving profitable; and
- Potentially incurring additional indebtedness.

We may fail to realize all of the anticipated benefits of the ICT acquisition, which may adversely affect the value of our common stock.

The success of our acquisition of ICT Group, Inc. will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining our businesses with those of ICT. However, to realize these anticipated benefits and cost savings we must successfully combine our businesses with those of ICT. If we are not able to achieve these objectives within the anticipated time frame, or at all, the anticipated benefits and cost savings of the acquisition may not be realized fully or at all or may take longer to realize than expected and the value of our common stock may be adversely affected.

It is possible that the integration process could result in the loss of key employees, result in the disruption of each company's ongoing businesses or identify inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers, suppliers, distributors, creditors and lessors, or to achieve the anticipated benefits of the acquisition.

Specifically, issues that must be addressed in integrating the operations of ICT into our operations in order to realize the anticipated benefits of the acquisition include, among other things:

- integrating our marketing and promotion activities and information technology systems with those of ICT;
- conforming standards, controls, procedures and policies, business cultures and compensation structures between the companies;
- consolidating corporate and administrative infrastructures;
- consolidating sales and marketing operations;
- retaining existing customers and attracting new customers;
- identifying and eliminating redundant and underperforming operations and assets;
- coordinating geographically dispersed organizations;
- managing tax costs or inefficiencies associated with integrating the operations of the combined company; and
- making any necessary modifications to operating control standards to comply with the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder.

Integration efforts between the two companies will also divert management attention and resources. An inability to realize the full extent of, or any of, the anticipated benefits of the acquisition, as well as any delays encountered in the integration process, could have an adverse effect on our business and results of operations, which may affect the value of the shares of our common stock after the completion of the acquisition.

In addition, the actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized. Actual cost and sales synergies, if achieved at all, may be lower than we expect and may take longer to achieve than anticipated. If we are not able to adequately address these challenges, we may be unable to successfully integrate ICT's operations into our own, or to realize the anticipated benefits of the integration of the two companies.

We will incur significant transaction and acquisition-related costs in connection with the ICT acquisition.

We expect to incur a number of non-recurring costs associated with combining the operations of the two companies. The substantial majority of non-recurring expenses resulting from the ICT acquisition will be comprised of transaction costs related to the acquisition, facilities and systems consolidation costs and employment-related costs. We will also incur transaction fees and costs related to formulating integration plans. Additional unanticipated costs may be incurred in the integration of the two companies' businesses. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, should allow us to offset incremental transaction and acquisition-related costs over time, this net benefit may not be achieved in the near term, or at all.

The ICT acquisition may not be accretive and may cause dilution to our earnings per share, which may negatively affect the market price of our common stock.

We expect to realize potential annual synergies of approximately \$20 million in connection with the ICT acquisition. Giving consideration to realizing a significant portion of the anticipated synergies in 2010, the acquisition is currently expected to be neutral to our earnings per diluted share in 2010. On an adjusted basis, which excludes expenses related to the amortization of acquisition-related intangible assets, while including the expected synergies, the acquisition is expected to be earnings per diluted share accretive in 2010. These expectations are based on preliminary estimates which may materially change. We could also encounter additional transaction and integration-related costs or other factors such as the failure to realize all of the benefits anticipated in the acquisition.

All of these factors could cause dilution to our earnings per share or decrease or delay the expected accretive effect of the acquisition and cause a decrease in the price of our common stock.

The ICT acquisition will result in substantial goodwill. If the goodwill becomes impaired, then our profits may be significantly reduced or eliminated and shareholders' equity may be reduced.

The actual amount of goodwill depends in part on the market value of our common stock as of the date on which the acquisition was completed and the appropriate allocation of the purchase price, which may be impacted by a number of factors, including changes in the net assets acquired and changes in the fair values of the net assets acquired. Given the date of the acquisition, we have not completed the valuation of assets acquired and liabilities assumed, which is in process. On at least an annual basis, we assess whether there has been an impairment in the value of goodwill. If the carrying value of goodwill exceeds its estimated fair value, impairment is deemed to have occurred and the carrying value of goodwill is written down to fair value. Under GAAP, this would result in a charge to the combined company's operating earnings. Accordingly, any determination requiring the write-off of a significant portion of goodwill recorded in connection with the acquisition would negatively affect the combined company's results of operations.

We are subject to various uncertainties relating to future litigation.

We cannot predict whether any material suits, claims, or investigations may arise in the future. Regardless of the outcome of any future actions, claims, or investigations, we may incur substantial defense costs and such actions may cause a diversion of management time and attention. Also, it is possible that we may be required to pay substantial damages or settlement costs which could have a material adverse effect on our financial condition and results of operations.

Our industry is subject to rapid technological change which could affect our business and results of operations.

Rapid technological advances, frequent new product introductions and enhancements, and changes in client requirements characterize the market for outsourced customer contact management services. Technological advancements in voice recognition software, as well as self-provisioning and self-help software, along with call avoidance technologies, have the potential to adversely impact call volume growth and, therefore, revenues. Our future success will depend in large part on our ability to service new products, platforms and rapidly changing technology. These factors will require us to provide adequately trained personnel to address the increasingly sophisticated, complex and evolving needs of our clients. In addition, our ability to capitalize on our acquisitions will depend on our ability to continually enhance software and services and adapt such software to new hardware and operating system requirements. Any failure by us to anticipate or respond rapidly to technological advances, new products and enhancements, or changes in client requirements could have a material adverse effect on our business, financial condition and results of operations.

Our business relies heavily on technology and computer systems, which subjects us to various uncertainties.

We have invested significantly in sophisticated and specialized communications and computer technology and have focused on the application of this technology to meet our clients' needs. We anticipate that it will be necessary to continue to invest in and develop new and enhanced technology on a timely basis to maintain our competitiveness. Significant capital expenditures may be required to keep our technology up-to-date. There can be no assurance that any of our information systems will be adequate to meet our future needs or that we will be able to incorporate new technology to enhance and develop our existing services. Moreover, investments in technology, including future investments in upgrades and enhancements to software, may not necessarily maintain our competitiveness. Our future success will also depend in part on our ability to anticipate and develop information technology solutions that keep pace with evolving industry standards and changing client demands.

Emergency interruption of customer contact management center operations could affect our business and results of operations.

Our operations are dependent upon our ability to protect our customer contact management centers and our information databases against damage that may be caused by fire, earthquakes, inclement weather and other disasters, power failure, telecommunications failures, unauthorized intrusion, computer viruses and other emergencies. The temporary or permanent loss of such systems could have a material adverse effect on our business, financial condition and results of operations. Notwithstanding precautions taken to protect us and our clients from

events that could interrupt delivery of services, there can be no assurance that a fire, natural disaster, human error, equipment malfunction or inadequacy, or other event would not result in a prolonged interruption in our ability to provide services to our clients. Such an event could have a material adverse effect on our business, financial condition and results of operations.

Our organizational documents contain provisions that could impede a change in control.

Our Board of Directors is divided into three classes serving staggered three-year terms. The staggered Board of Directors and the anti-takeover effects of certain provisions contained in the Florida Business Corporation Act and in our Articles of Incorporation and Bylaws, including the ability of the Board of Directors to issue shares of preferred stock and to fix the rights and preferences of those shares without shareholder approval, may have the effect of delaying, deferring or preventing an unsolicited change in control. This may adversely affect the market price of our common stock or the ability of shareholders to participate in a transaction in which they might otherwise receive a premium for their shares.

The volatility of our stock price may result in loss of investment.

The trading price of our common stock has been and may continue to be subject to wide fluctuations over short and long periods of time. We believe that market prices of outsourced customer contact management services stocks in general have experienced volatility, which could affect the market price of our common stock regardless of our financial results or performance. We further believe that various factors such as general economic conditions, changes or volatility in the financial markets, changing market conditions in the outsourced customer contact management services industry, quarterly variations in our financial results, the announcement of acquisitions, strategic partnerships, or new product offerings, and changes in financial estimates and recommendations by securities analysts could cause the market price of our common stock to fluctuate substantially in the future.

Item 1B. Unresolved Staff Comments

There are no material unresolved written comments that were received from the SEC staff 180 days or more before the year ended December 31, 2009 relating to our periodic or current reports filed under the Securities Exchange Act of 1934.

Item 2. Properties

Our principal executive offices are located in Tampa, Florida. This facility currently serves as the headquarters for senior management and the financial, information technology and administrative departments. We believe our existing facilities are adequate to meet current requirements, and that suitable additional or substitute space will be available as needed to accommodate any physical expansion or any space required due to expiring leases not renewed. We operate from time to time in temporary facilities to accommodate growth before new customer contact management centers are available. During 2009, our customer contact management centers, taken as a whole, were utilized at average capacities of approximately 75% and were capable of supporting a higher level of market demand. The following table sets forth additional information concerning our facilities:

Properties	General Usage	Square Feet	Lease Expiration
AMERICAS LOCATIONS			
Tampa, Florida	Corporate headquarters	67,600	December 2010
Bismarck, North Dakota	Customer contact management center	42,000	Company owned
Wise, Virginia	Customer contact management center	42,000	Company owned
Milton-Freewater, Oregon	Customer contact management center	42,000	Company owned
Morganfield, Kentucky	Customer contact management center	42,000	Company owned
Perry County, Kentucky	Customer contact management center	42,000	Company owned
Minot, North Dakota	Customer contact management center ⁽²⁾	42,000	Company owned
Ponca City, Oklahoma	Customer contact management center	42,000	Company owned
Sterling, Colorado	Customer contact management center	34,000	Company owned
Buchanan County, Virginia	Customer contact management center	42,700	Company owned
Bardstown, South Carolina	Customer contact management center	35,813	September 2019
Kingstree, South Carolina	Customer contact management center	35,000	March 2028
Greenwood, South Carolina	Customer contact management center	25,000	December 2012
		15,000	October 2011
Malvern, Arkansas	Customer contact management center	32,000	May 2019
Sumter, South Carolina	Customer contact management center	25,000	March 2012
London, Ontario, Canada	Customer contact management center / Headquarters	50,000	Company owned
Cordoba, Argentina	Headquarters	7,750	January 2012
Cordoba, Argentina (three)	Customer contact management centers	101,000	July 2010
Rosario, Argentina	Customer contact management center	20,100	September 2012
Curitiba, Brazil	Customer contact management center	25,700	July 2010
LaAurora, Heredia, Costa Rica (three)	Customer contact management centers	133,200	September 2023
Moravia, San Jose, Costa Rica	Customer contact management center	38,500	July 2027
San Salvador, El Salvador	Customer contact management center	119,800	November 2024
Toronto, Ontario, Canada	Customer contact management center ⁽¹⁾	14,600	September 2010
North Bay, Ontario, Canada	Customer contact management center ⁽¹⁾	5,400	May 2010
Sudbury, Ontario, Canada	Customer contact management center ⁽¹⁾	3,900	December 2010
Moncton, New Brunswick, Canada	Customer contact management center ⁽¹⁾	12,700	December 2011
Bathurst, New Brunswick, Canada	Customer contact management center ⁽¹⁾	1,900	December 2012

⁽¹⁾ Considered part of the Toronto, Ontario, Canada customer contact management center.

⁽²⁾ Closed in May, 2009.

Properties	General Usage	Square Feet	Lease Expiration
AMERICAS LOCATIONS (continued)			
Makati City, The Philippines	Customer contact management center	68,300	September 2011
Makati City, The Philippines	Customer contact management center	68,609	March 2023
Cebu City, The Philippines	Customer contact management center	149,200	December 2026
Pasig City, The Philippines	Customer contact management center	127,400	November 2023
Quezon City, The Philippines	Customer contact management center	112,762	March 2027
Quezon City, The Philippines	Customer contact management center	84,250	May 2024
Guangzhou, The Peoples Republic of China	Customer contact management center	13,000	March 2012
Shanghai, The Peoples Republic of China	Customer contact management center	70,500	February 2011
Bangalore, India	Office	1,500	January 2014
Cary, North Carolina	Office	1,200	March 2010
Chesterfield, Missouri	Office	3,600	January 2016
Calgary, Alberta, Canada	Office	7,800	July 2012

Properties	General Usage	Square Feet	Lease Expiration
EMEA LOCATIONS			
Amsterdam, The Netherlands	Customer contact management center	41,800	September 2010
Budapest, Hungary	Customer contact management center	23,000	July 2023
Edinburgh, Scotland	Customer contact management center/ Office/Headquarters	35,900	September 2019
Cairo, Egypt	Customer contact management center	27,641	January 2013
Turku, Finland	Customer contact management center	12,500	February 2011
Bochum, Germany	Customer contact management center	51,667	December 2011
Pasewalk, Germany	Customer contact management center	46,100	February 2011
Wilhelmshaven, Germany	Customer contact management center	60,300	November 2010
Johannesburg, South Africa	Customer contact management center	33,000	March 2025
Odense, Denmark	Customer contact management center	13,600	January 2016
Ed, Sweden	Customer contact management center	44,000	September 2011
Sveg, Sweden	Customer contact management center	35,000	June 2011
Prato, Italy	Customer contact management center	10,000	October 2013
Shannon, Ireland	Customer contact management center	66,000	March 2013
Lugo, Spain	Customer contact management center	21,400	June 2010
La Coruña, Spain	Customer contact management center	32,300	December 2023
Ponferrada, Spain	Customer contact management center	16,100	December 2028
Kosice, Slovakia	Customer contact management center	40,020	December 2024
Galashiels, Scotland	Fulfillment center	126,700	Company owned
Rosersberg, Sweden	Fulfillment center and Sales office	43,100	February 2012
Frankfurt, Germany	Sales office	1,700	September 2010
Madrid, Spain	Office	1,605	April 2012

In connection with the ICT acquisition, we acquired ICT's corporate headquarters comprised of approximately 105,000 square feet of leased space located in Newtown, Pennsylvania under a lease that expires in 2017. In addition to the ICT corporate headquarters staff, certain other divisional and operations personnel are located in the facility. All of the facilities used in ICT's operations are also leased.

The following lists ICT's various operating facilities and locations as of December 31, 2009:

Conway, AR; Morrilton, AR; Nogales, AZ; Lakeland, FL; Louisville, KY; Wilton, ME; Amherst, NY; Allentown, PA; Bloomsburg, PA; Langhorne, PA (2); Lockhaven, PA; Newtown, PA; Spokane, WA (2); Cornerbrook, Newfoundland, Canada; St. John's, Newfoundland, Canada; Miramichi, New Brunswick, Canada; Riverview, New Brunswick, Canada; St. John, New Brunswick, Canada; Sydney, Nova Scotia, Canada; Lindsay, Ontario, Canada; Peterborough, Ontario, Canada; Sherbrooke, Quebec, Canada; Dublin, Ireland; London, U.K.; Sydney, Australia; Maitland, Australia; Mexico City, Mexico; Manila, Philippines (4); Cebu, Philippines; Cabanatuan, Philippines; San Jose, Costa Rica; Buenos Aires, Argentina; Hyderabad, India.

All of these facilities and locations are in the Americas segment except Dublin, Ireland and London, U.K which are in the EMEA segment.

Item 3. Legal Proceedings

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.

We have previously disclosed regulatory sanctions assessed against our Spanish subsidiary relating to the alleged inappropriate acquisition of personal information in connection with two outbound client contracts. In order to appeal these claims, we issued a bank guarantee of \$0.5 million which is included as restricted cash in "Deferred charges and other assets" in the accompanying Consolidated Balance Sheets as of December 31, 2009 and 2008. We have been and will continue to vigorously defend these matters. However, due to further progression of several of these claims within the Spanish court system, and based upon opinion of legal counsel regarding the likely outcome of several of the matters before the courts, we have accrued the amount of \$1.3 million as of December 31, 2009 and 2008 under ASC 450 "*Contingencies*" because we now believe that a loss is probable and the amount of the loss can be reasonably estimated as to three of the subject claims. There are two other related claims, one of which is currently under appeal, and the other of which is in the early stages of investigation, but we have not accrued any amounts related to either of those claims because we do not currently believe a loss is probable, and it is not currently possible to reasonably estimate the amount of any loss related to those two claims.

Item 4. Reserved

PART II

Item 5. Market for the Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Securities

Our common stock is quoted on the NASDAQ Global Select Market under the symbol SYKE. The following table sets forth, for the periods indicated, certain information as to the high and low sale prices per share of our common stock as quoted on the NASDAQ Global Select Market.

	<i>High</i>	<i>Low</i>
<i>Year ended December 31, 2009:</i>		
Fourth Quarter	\$ 26.91	\$ 20.00
Third Quarter	22.17	17.50
Second Quarter	20.45	15.84
First Quarter	19.98	13.16
 <i>Year ended December 31, 2008:</i>		
Fourth Quarter	\$ 22.20	\$ 12.34
Third Quarter	22.02	16.88
Second Quarter	22.55	16.26
First Quarter	18.27	15.41

Holders of our common stock are entitled to receive dividends out of the funds legally available when and if declared by the Board of Directors. We have not declared or paid any cash dividends on our common stock in the past and do not anticipate paying any cash dividends in the foreseeable future.

As of February 11, 2010, there were 1,017 holders of record of the common stock. We estimate there were approximately 10,886 beneficial owners of our common stock.

Below is a summary of stock repurchases for the quarter ended December 31, 2009 (in thousands, except average price per share.) See Note 20, Earnings Per Share, to the Consolidated Financial Statements for information regarding our stock repurchase program.

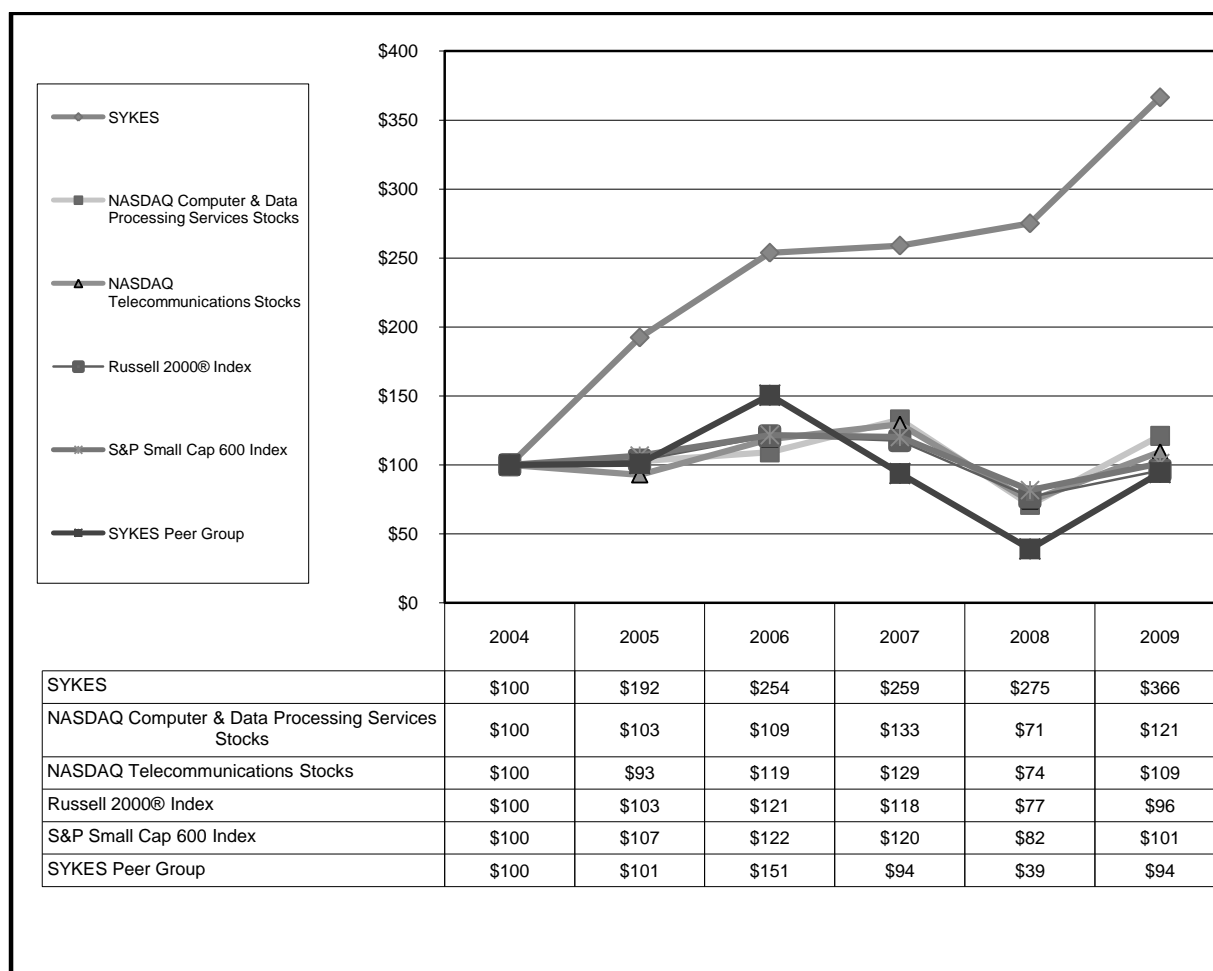
Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number Of Shares That May Yet Be Purchased Under Plans or Programs
October 1, 2009 - October 31, 2009	-	-	-	1,098
November 1, 2009 - November 31, 2009 ...	-	-	-	1,098
December 1, 2009 - December 31, 2009	-	-	-	1,098
Total	-		-	1,098

⁽¹⁾ All shares purchased as part of a repurchase plan publicly announced on August 5, 2002. Total number of shares approved for repurchase under the plan was 3.0 million with no expiration date.

Five-Year Stock Performance Graph

The following graph presents a comparison of the cumulative shareholder return on the common stock with the cumulative total return on the Nasdaq Computer and Data Processing Services Index, the Nasdaq Telecommunications Index, the Russell 2000 Index, the S&P Small Cap 600 and the SYKES Peer Group (as defined below). The SYKES Peer Group is comprised of publicly traded companies that derive a substantial portion of their revenues from call center, customer care business, have similar business models to SYKES, and are those most commonly compared to SYKES by industry analysts following SYKES. This graph assumes that \$100 was invested on December 31, 2004 in SYKES common stock, the Nasdaq Computer and Data Processing Services Index, the Nasdaq Telecommunications Index, the Russell 2000 Index, the S&P Small Cap 600 and SYKES Peer Group, including reinvestment of dividends.

Comparison of Five-Year Cumulative Total Return



Sykes Peer Group

APAC Customer Service, Inc.
 Convergys Corp.
 ICT Group, Inc.*
 Startek, Inc.
 Tele Tech Holdings, Inc.

Ticker Symbol

APAC
 CVG
 ICTG
 SRT
 TTEC

* Note: ICT Group, Inc. was acquired by SYKES on February 2, 2010.

There can be no assurance that SYKES' stock performance will continue into the future with the same or similar trends depicted in the graph above. SYKES does not make or endorse any predictions as to the future stock performance.

The information contained in the Stock Performance Graph section shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Exchange Act of 1934.

Item 6. Selected Financial Data

Selected Financial Data

The following selected financial data has been derived from our consolidated financial statements. The information below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our Consolidated Financial Statements and related notes.

<i>(in thousands, except per share data)</i>	Years Ended December 31,				
	2009	2008	2007	2006	2005
<i>Income Statement Data:</i> ⁽¹⁾					
Revenues	\$ 846,041	\$ 819,190	\$ 710,120	\$ 574,223	\$ 494,918
Income from operations ^(2,4,5,6)	70,123	65,708	51,180	45,158	26,331
Net income ^(2,3,4,5,6)	43,211	60,561	39,859	42,323	23,408
<i>Net Income Per Share:</i> ^(2,3,4,5,6)					
Basic	\$ 1.06	\$ 1.49	\$ 0.99	\$ 1.06	\$ 0.60
Diluted	1.05	1.48	0.98	1.05	0.59
<i>Weighted Average Shares Outstanding:</i>					
Basic	40,707	40,618	40,387	39,829	39,204
Diluted	41,026	40,961	40,699	40,219	39,536
<i>Balance Sheet Data:</i> ^(1,7)					
Total Assets	\$ 672,471	\$ 529,542	\$ 505,475	\$ 415,573	\$ 331,185
Shareholders' equity	450,674	384,030	365,321	291,473	226,090

⁽¹⁾ The amounts for 2009, 2008, 2007 and 2006 include the Argentine acquisition completed on July 3, 2006.

⁽²⁾ The amounts for 2009 include a \$1.9 million impairment loss on goodwill and intangibles and \$3.3 million in transaction costs related to the ICT acquisition.

⁽³⁾ The amounts for 2009 include a \$14.7 million charge to provision for income taxes related to a our deemed change of assertion in the fourth quarter of 2009 regarding the permanent reinvestment of foreign subsidiaries' accumulated and undistributed earnings and a \$2.1 million impairment loss on our investment in SHPS.

⁽⁴⁾ The amounts for 2007 include a \$1.3 million provision for regulatory penalties related to privacy claims associated with the alleged inappropriate acquisition of personal bank account information in one of our European subsidiaries.

⁽⁵⁾ The amounts for 2006 include a \$13.9 million net gain on the sale of facilities and \$0.4 million of charges associated with the impairment of long-lived assets.

⁽⁶⁾ The amounts for 2005 include a \$1.8 million net gain on the sale of facilities, a \$0.3 million reversal of restructuring and other charges and \$0.6 million of charges associated with the impairment of long-lived assets.

⁽⁷⁾ SYKES has not declared cash dividends per common share for any of the five years presented.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following should be read in conjunction with the Consolidated Financial Statements and the notes thereto that appear elsewhere in this document. The following discussion and analysis compares the year ended December 31, 2009 ("2009") to the year ended December 31, 2008 ("2008"), and 2008 to the year ended December 31, 2007 ("2007").

The following discussion and analysis and other sections of this document contain forward-looking statements that involve risks and uncertainties. Words such as "may," "expects," "projects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," 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. Future events and actual results could differ materially from the results reflected in these forward-looking statements, as a result of certain of the factors set forth below and elsewhere in this analysis and in this Form 10-K for the year ended December 31, 2009 in Item 1.A.-Risk Factors.

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, technology/consumer, financial services, healthcare, and transportation and leisure industries. We serve our clients through two geographic operating regions: the Americas (United States, Canada, Latin America and Asia Pacific) and EMEA (Europe, 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 97% of consolidated revenues in 2009, are delivered through multiple communications channels encompassing phone, e-mail, Web and chat. We also provide various enterprise support services in the United States 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 and Africa. With the acquisition of ICT, we added 38 customer contact management centers and increased our footprint by three countries, with the addition of Mexico, Australia and India.

Revenue from these services is recognized 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 we record reductions to revenue for contractual penalties and holdbacks for a 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.

Direct salaries and related costs include direct personnel compensation, severance, statutory and other benefits associated with such personnel and other direct costs associated with providing services to customers. General and administrative costs include administrative, sales and marketing, occupancy, depreciation and amortization, and other costs.

Provision for regulatory penalties is related to privacy claims associated with the alleged inappropriate acquisition of personal bank account information by one of our European subsidiaries.

Recognition of income associated with grants from local or state governments of land and the acquisition of property, buildings and equipment is deferred 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 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. Deferred property and equipment grants, net of amortization, totaled \$11.0 million and \$9.0 million at December 31, 2009 and 2008, respectively, an increase of \$2.0 million.

The impairment loss on goodwill and intangibles is related to the March 2005 acquisition of Kelly, Luthmer &

Associates Limited (“KLA”), our Employee Assistance and Occupational Health operations in Calgary, Alberta Canada.

Interest income primarily relates to interest earned on cash and cash equivalents and interest on foreign tax refunds. Interest expense primarily includes commitment fees charged on the unused portion of our credit facility and interest on the outstanding \$75.0 million Bermuda Credit Agreement beginning December 11, 2009, as more fully described in this Item 7 - “Liquidity and Capital Resources.”

Impairment (loss) on investment in SHPS represents the estimated fair value adjustment and subsequent liquidation of our non-controlling interest in SHPS by converting our SHPS common stock into cash for \$0.000001 per share.

Foreign currency transaction gains and losses generally result from exchange rate fluctuations on intercompany transactions and the revaluation of cash and other assets and liabilities that are settled in a currency other than functional currency.

Our effective tax rate for the periods presented includes the effects of our deemed change of assertion in the fourth quarter 2009 regarding the permanent reinvestment of foreign subsidiaries’ accumulated and undistributed earnings (see Note 18 – Income Taxes, to the accompanying Consolidated Financial Statements), state income taxes, net of federal tax benefit, tax holidays, valuation allowance changes, foreign rate differentials, foreign withholding and other taxes, and permanent differences.

ICT Acquisition

On February 2, 2010, we completed the acquisition of ICT Group Inc., a Pennsylvania corporation (“ICT”) and leading global provider of outsourced customer management and BPO solutions.

As a result of the ICT acquisition,

- 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 March 31, 2010 and a \$75 million Term Loan on February 2, 2010, due in varying installments through February 1, 2013 (the “Term Loan”). The terms of these borrowings are outlined in Part II, Item 7 – “Liquidity and Capital Resources”.

The results of operations of ICT will be reflected in our Consolidated Statement of Operations for periods ending after February 2, 2010.

Results of Operations

The following table sets forth, for the periods indicated, the percentage of revenues represented by certain items reflected in our Statements of Operations:

	Years Ended December 31,		
	2009	2008	2007
PERCENTAGES OF REVENUES:			
Revenues	100.0%	100.0%	100.0%
Direct salaries and related costs	63.9	64.0	63.6
General and administrative	27.5	28.0	29.0
Provision for regulatory penalties	-	-	0.2
Impairment loss on goodwill and intangibles.....	0.2	-	-
Income from operations	8.4	8.0	7.2
Interest income	0.3	0.7	0.9
Interest (expense)	(0.1)	(0.1)	(0.1)
Impairment (loss) on investment in SHPS.....	(0.2)	-	-
Other income (expense).....	-	1.4	(0.4)
Income before provision for income taxes	8.4	10.0	7.6
Total provision for income taxes	3.1	2.6	2.0
Net income	5.3%	7.4%	5.6%

The following table sets forth, for the periods indicated, certain data derived from our Consolidated Statements of Operations (in thousands):

	Years Ended December 31,		
	2009	2008	2007
Revenues	\$ 846,041	\$ 819,190	\$ 710,120
Direct salaries and related costs	540,949	524,133	451,280
General and administrative	233,061	229,349	206,348
Provision for regulatory penalties	-	-	1,312
Impairment loss on goodwill and intangibles.....	1,908	-	-
Income from operations	70,123	65,708	51,180
Interest income	2,309	5,448	6,257
Interest (expense)	(993)	(433)	(803)
Impairment (loss) on investment in SHPS.....	(2,089)	-	-
Other income (expense).....	(21)	11,259	(2,583)
Income before provision for income taxes	69,329	81,982	54,051
Total provision for income taxes	26,118	21,421	14,192
Net income	\$ 43,211	\$ 60,561	\$ 39,859

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

	Years Ended December 31,					
	2009		2008		2007	
Americas	\$ 597,490	70.6%	\$ 551,761	67.4%	\$ 482,823	68.0%
EMEA	248,551	29.4%	267,429	32.6%	227,297	32.0%
Consolidated	\$ 846,041	100.0%	\$ 819,190	100.0%	\$ 710,120	100.0%

The following table summarizes the amounts and percentage of revenue for direct salaries and related costs, general and administrative costs, impairment loss on goodwill and intangibles and provision for regulatory penalties for the periods indicated, by reporting segment (in thousands):

	Years Ended December 31,					
	2009		2008		2007	
Direct salaries and related costs:						
Americas	\$ 366,174	61.3%	\$ 342,288	62.0%	\$ 295,719	61.2%
EMEA	174,775	70.3%	181,845	68.0%	155,561	68.4%
Consolidated	<u>\$ 540,949</u>	<u>63.9%</u>	<u>\$ 524,133</u>	<u>64.0%</u>	<u>\$ 451,280</u>	<u>63.6%</u>
General and administrative:						
Americas	\$ 130,914	21.9%	\$ 124,093	22.5%	\$ 109,114	22.6%
EMEA	58,646	23.6%	64,403	24.1%	58,350	25.7%
Corporate	43,501	-	40,853	-	38,884	-
Consolidated	<u>\$ 233,061</u>	<u>27.5%</u>	<u>\$ 229,349</u>	<u>28.0%</u>	<u>\$ 206,348</u>	<u>29.0%</u>
Impairment loss on goodwill and intangibles:						
Americas	\$ 1,908	0.3%	\$ -	0.0%	\$ -	0.0%
EMEA	-	0.0%	-	0.0%	-	0.0%
Consolidated	<u>\$ 1,908</u>	<u>0.2%</u>	<u>\$ -</u>	<u>0.0%</u>	<u>\$ -</u>	<u>0.0%</u>
Provision for regulatory penalties:						
Americas	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
EMEA	-	0.0%	-	0.0%	1,312	0.6%
Consolidated	<u>\$ -</u>	<u>0.0%</u>	<u>\$ -</u>	<u>0.0%</u>	<u>\$ 1,312</u>	<u>0.2%</u>

2009 Compared to 2008

Revenues

During 2009, we recognized consolidated revenues of \$846.0 million, an increase of \$26.8 million or 3.3%, from \$819.2 million of consolidated revenues for 2008. Revenues increased in 2009, despite the rapid and sharp deterioration in the economy, due to increased demand from our new and existing client relationships. As clients have increasingly outsourced non-core functions as a way to cut costs and preserve capital, our depth of experience, broad vertical expertise, global delivery footprint, a healthy risk profile and financial strength, including a strong cash position, has helped us attract new business and build on our current market position.

On a geographic segment basis, revenues from the Americas region, including the United States, Canada, Latin America, India and the Asia Pacific Rim, represented 70.6%, or \$597.5 million, for 2009 compared to 67.4%, or \$551.8 million, for 2008. Revenues from the EMEA region, including Europe, the Middle East and Africa represented 29.4%, or \$248.5 million, for 2009 compared to 32.6%, or \$267.4 million, for 2008.

The increase in the Americas' revenue of \$45.7 million, or 8.3%, for 2009 compared to 2008, reflects a broad-based growth in client demand, including new and existing client relationships, partially offset by certain program expirations and a negative foreign currency impact of \$18.9 million. Excluding this \$18.9 million foreign currency impact, Americas' revenue increased \$64.6 million, or 11.7% in 2009 compared to 2008. The \$64.6 million increase includes new and existing client relationships, primarily due to a combination of new programs with existing clients, expansion of existing programs and new client relationships. New client relationships represented 20.7% of the increase in the Americas revenue over 2008, while 79.3% of the increase in the America's revenue came from

existing clients. Revenues from our offshore operations represented 59.8% of Americas revenues, compared to 61.7% for 2008. 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. Americas' revenues for 2009 and 2008 also included a \$9.3 million and a \$2.4 million net loss on foreign currency hedges, respectively. Excluding the effect of this \$6.9 million foreign currency hedging fluctuation, the Americas' revenue increased \$52.6 million, or 9.5%, for 2009 compared to 2008.

The decrease in EMEA revenues of \$18.9 million, or 7.1%, for 2009 compared to 2008, reflects a \$22.4 million negative foreign currency impact partially offset by an increase of \$3.5 million in client demand. This \$3.5 million increase in client demand includes a \$2.7 million increase in existing client programs as well as a \$0.8 million increase in new client relationships. Excluding the \$22.4 million foreign currency impact, EMEA's revenue increased 1.3% for 2009 compared to 2008.

Direct Salaries and Related Costs

Direct salaries and related costs increased \$16.8 million, or 3.2%, to \$540.9 million for 2009, from \$524.1 million in 2008.

On a reporting segment basis, direct salaries and related costs from the Americas segment increased \$23.9 million, or 7.0%, to \$366.2 million for 2009 from \$342.3 million for 2008. Direct salaries and related costs from the EMEA segment decreased \$7.1 million, or 3.9%, to \$174.7 million for 2009 from \$181.8 million for 2008. While changes in foreign currency exchange rates negatively impacted revenues in the Americas and EMEA, they positively impacted direct salaries and related costs in 2009 and 2008 by \$21.7 million and \$15.1 million, respectively.

In the America's segment, as a percentage of revenues, direct salaries and related costs decreased to 61.3% for 2009 from 62% in 2008. This decrease of 0.7%, as a percentage of revenues, was primarily attributable to lower weather related auto tow claim costs of 0.6%, lower travel costs of 0.1%, lower recruiting costs of 0.1% and lower other costs of 0.3%, partially offset by higher compensation costs of 0.3% and higher communication costs of 0.1%.

In the EMEA segment, as a percentage of revenues, direct salaries and related costs increased to 70.3% for 2009 from 68% in 2008. This increase of 2.3%, as a percentage of revenues, was primarily attributable to higher compensation costs of 2.0%, higher fulfillment material costs of 0.3%, higher billable supply costs of 0.2%, and higher other costs of 0.3%, partially offset by lower recruiting costs of 0.5%.

General and Administrative

General and administrative expenses increased \$3.7 million, or 1.6%, to \$233.0 million for 2009 from \$229.3 million in 2008.

On a reporting segment basis, general and administrative expenses from the Americas segment increased \$6.8 million, or 5.5%, to \$130.9 million 2009 from \$124.1 million for 2008. General and administrative expenses from the EMEA segment decreased \$5.8 million, or 9.0%, to \$58.6 million for 2009 from \$64.4 million for 2008. While changes in foreign currency exchange rates negatively impacted revenues in the Americas and EMEA, they positively impacted general and administrative expenses in 2009 and 2008 by approximately \$6.1 million and \$6.0 million, respectively. Corporate general and administrative expenses increased \$2.7 million, or 6.6%, to \$43.5 million for 2009 from \$40.8 million in 2008. This increase of \$2.7 million was primarily attributable to higher compensation costs of \$3.6 million, higher legal and professional fees of \$2.6 million (primarily related to the ICT acquisition), higher software maintenance costs of \$0.5 million, higher business development costs of \$0.4 million and higher depreciation and amortization costs of \$0.2 million, partially offset by lower travel costs of \$1.3 million, lower bad debt expense of \$0.8 million, lower seminar costs of \$0.7 million, lower consulting costs of \$0.6 million, lower insurance costs of \$0.4 million, lower facility related costs of \$0.2 million and lower other costs of \$0.6 million.

In the America's segment, as a percentage of revenues, general and administrative expenses decreased to 21.9% for 2009 from 22.5% in 2008. This decrease of 0.6%, as a percentage of revenues, was primarily attributable to

lower depreciation and amortization costs of 0.3%, lower recruiting costs of 0.2% and lower other costs of 0.4%, partially offset by higher compensation costs of 0.2% and higher bad debt expense of 0.1%.

In the EMEA segment, as a percentage of revenues, general and administrative expenses decreased to 23.6% for 2009 from 24.1% in 2008. This decrease of 0.5%, as a percentage of revenues, was primarily attributable to cost containment programs initiated in EMEA resulting in lower travel costs of 0.3%, lower recruiting costs of 0.2%, lower facility related costs of 0.1%, lower supply costs of 0.1%, lower communications costs of 0.1% and lower other costs of 0.4%, partially offset by higher compensation costs of 0.3%, higher bad debt expense of 0.2% and higher depreciation and amortization costs of 0.2%.

Impairment Loss on 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, deterioration of the related customer base and loss of key employees, the Americas' segment recorded an impairment loss of \$1.9 million on the goodwill and intangibles during 2009 (none in 2008) related to the March 2005 acquisition of KLA.

Interest Income

Interest income was \$2.3 million in 2009, compared to \$5.4 million in 2008. Interest income decreased \$3.1 million reflecting lower average rates earned on higher average balances of interest bearing investments in cash and cash equivalents.

Interest Expense

Interest expense was \$1.0 million for 2009 compared to \$0.4 million for 2008, an increase of \$0.6 million reflecting higher average levels of outstanding short-term debt, primarily related to the \$75 million Bermuda Credit Agreement, higher average rates, amortization of deferred loan fees and fees paid on our unused revolving credit facility. We expect interest expense to increase substantially in 2010 as a result of the \$75 million Bermuda Credit Agreement and a \$75 million Term Loan drawn down on February 2, 2010 in connection with the acquisition of ICT, due in varying installments through February 1, 2013.

Impairment Loss on Investment in SHPS

During 2009, we received notice from SHPS that the shareholders of SHPS had approved a merger agreement between SHPS and SHPS Acquisition, Inc., pursuant to which the common stock of SHPS, including the common stock owned by us, would be converted into the right to receive \$0.000001 per share in cash. SHPS informed us that it believed the estimated fair value of the SHPS common stock to be equal to such per share amount. As a result of this transaction and careful evaluation of our legal options, we believed it was more likely than not that we will not be able to recover the \$2.1 million carrying value of the investment in SHPS. Therefore, in the Americas' segment, we recorded a non-cash impairment loss of \$2.1 million during the second quarter ended June 30, 2009. Subsequent to the recording of the impairment loss, we liquidated our noncontrolling interest in SHPS by converting our SHPS common stock into cash for \$0.000001 per share during the third quarter ended September 30, 2009.

Other Income and Expense

Other expense, net, was less than \$0.1 million in 2009 compared to other income, net, of \$11.3 million in 2008. This \$11.3 million net decrease in other income was primarily attributable to a decrease of \$11.3 million in realized and unrealized foreign currency transaction gains, net of losses arising from the revaluation of nonfunctional currency assets and liabilities. Other income excludes the effects of cumulative translation effects and unrealized gains (losses) on financial derivatives that are included in Accumulated Other Comprehensive Income (Loss) in shareholders' equity in the accompanying Consolidated Balance Sheets.

Provision for Income Taxes

The provision for income taxes of \$26.1 million for 2009 was based upon pre-tax income of \$69.3 million, compared to the provision for income taxes of \$21.4 million for 2008 based upon pre-tax income of \$82.0 million. The effective tax rate was 37.7% for 2009 compared to an effective tax rate of 26.1% for 2008.

The increase in the effective tax rate of 11.6% resulted mainly from our deemed change of assertion in the fourth quarter of 2009 regarding the permanent reinvestment of \$85 million of our foreign subsidiaries' accumulated and undistributed earnings, which came about due to our borrowing of a \$75 million Term Loan on February 2, 2010 to close the ICT acquisition and a \$10 million increase in estimated costs relating to the ICT acquisition. The proposed acquisition of ICT and the intent to fund the transaction through committed credit facilities was announced on October 6, 2009. Under the provisions of ASC 740-30-25-19, we determined that, based upon historical results, we could not retire the \$75 million Term Loan and pay the additional \$10 million in estimated costs without depleting excess U.S. cash flows needed for future operations. Accordingly, a deferred tax expense of \$14.7 million, net of a release of a valuation allowance of \$1.6 million on foreign tax credits related to this change in assertion, was required to be recorded for financial reporting purposes in the fourth quarter of 2009 under ASC 740-30. The Finance Committee of our Board of Directors approved the repatriation of \$85.0 million of foreign subsidiaries' accumulated and undistributed earnings on February 8, 2010. All other undistributed earnings are still permanently reinvested in accordance with ASC 740-30. Other items that increased the effective tax rate were an additional deferred tax liability of \$2.9 million, favorable foreign income tax rate differentials of \$1.6 million and the effects of the change in our permanent differences in the amount of \$1.5 million.

This increase in the effective rate was partially offset by a \$6.6 million change in the recognition of deferred tax assets primarily due to fluctuations in our valuation allowances, a reduction of \$3.5 million in foreign withholding taxes, and a \$2.9 million increase in the benefits from tax holiday jurisdictions. The reduction of \$3.5 million in foreign withholding taxes is primarily a result of a reduction in the amount of dividends distributed by our Philippine company to its foreign parent in the Netherlands in 2009 when compared to 2008.

Generally, earnings associated with our investments in our subsidiaries are considered to be permanently invested and no provision for income taxes on those earnings or translation adjustments has been provided. The U.S. Department of the Treasury released the "General Explanations of the Administration's Fiscal Year 2010 Revenue Proposals" in May 2009. These proposals represent a significant shift in international tax policy, which may materially impact U.S. taxation of international earnings, including our position on permanent reinvestment of foreign earnings. In response to this release, we changed our assertion for 2009 with respect to the distribution of current earnings for one lower tier subsidiary and incurred withholding tax expense of \$2.5 million in 2009 with respect to this subsidiary's current earnings. We continue to monitor these proposals and are currently evaluating their potential impact on our financial condition, results of operations, and cash flows.

Net Income

As a result of the foregoing, we reported income from operations for 2009 of \$70.1 million, an increase of \$4.4 million from 2008. This increase was principally attributable to a \$26.8 million increase in revenues, partially offset by a \$16.8 million increase in direct salaries and related costs, a \$3.7 million increase in general and administrative costs and an impairment loss of \$1.9 million. The \$4.4 million increase in income from operations was partially offset by a \$11.3 million decrease in other income, net, a \$3.1 million decrease in interest income, a \$2.1 million impairment loss on investment in SHPS, an increase in interest expense of \$0.6 million, and a \$4.7 million higher tax provision, resulting in net income of \$43.2 million for 2009, a decrease of \$17.4 million compared to 2008.

2008 Compared to 2007

Revenues

During 2008, we recognized consolidated revenues of \$819.2 million, an increase of \$109.1 million or 15.4%, from \$710.1 million of consolidated revenues for 2007. Revenues increased in 2008, despite the rapid and sharp deterioration in the economy, due to strong demand from our new and existing client relationships. As clients have increasingly outsourced non-core functions as a way to cut costs and preserve capital, our depth of experience, broad vertical expertise, global delivery footprint, a healthy risk profile and financial strength, including a strong cash position and no debt as of December 31, 2008, has helped us attract new business and build on our current market position.

On a geographic segment basis, revenues from the Americas region, including the United States, Canada, Latin America, India and the Asia Pacific Rim, represented 67.4%, or \$551.8 million, for 2008 compared to 68.0%, or \$482.8 million, for 2007. Revenues from the EMEA region, including Europe, the Middle East and Africa represented 32.6%, or \$267.4 million, for 2008 compared to 32.0%, or \$227.3 million, for 2007.

The increase in the Americas' revenue of \$69.0 million, or 14.3%, for 2008 compared to 2007, reflects a broad-based growth in client demand, including new and existing client relationships, partially offset by certain program expirations and a net loss on foreign currency hedges of \$7.4 million. New client relationships represented 5.4% of the increase in the Americas revenue over 2007, while 94.6% of the increase in the America's revenue came from existing clients. Revenues from our offshore operations represented 61.7% of Americas revenues, compared to 60.0% for 2007. Americas' revenues for 2008 experienced a \$1.7 million increase as a result of changes in foreign currency exchange rates compared to 2007. Excluding this foreign currency impact, Americas' revenues increased \$67.3 million, or 13.9% compared to 2007.

The increase in EMEA revenues of \$40.1 million, or 17.7%, for 2008 compared to 2007, reflects a broad-based growth in client demand, including new and existing client relationships, partially offset by certain program expirations. New client relationships represented 3.2% of the increase in EMEA revenue over 2007, while 96.8% of the increase was generated by existing clients. EMEA revenues for 2008 experienced a \$6.8 million increase as a result of changes in foreign currency exchange rates compared to 2007. Excluding this foreign currency impact, EMEA revenues increased \$33.3 million, or 14.8%, compared to 2007.

Direct Salaries and Related Costs

Direct salaries and related costs increased \$72.8 million, or 16.1%, to \$524.1 million for 2008, from \$451.3 million in 2007.

On a geographic segment basis, direct salaries and related costs from the Americas segment increased \$46.6 million, or 15.7%, to \$342.3 million for 2008 from \$295.7 million in 2007. Direct salaries and related costs from the EMEA segment increased \$26.2 million, or 16.9%, to \$181.8 million for 2008 from \$155.6 million in 2007. While changes in foreign currency exchange rates positively impacted revenues in the Americas and EMEA, they negatively impacted direct salaries and related costs in 2008 and 2007 by approximately \$3.7 million and \$5.4 million, respectively.

In the Americas segment, as a percentage of revenues, direct salaries and related costs increased to 62.0% in 2008 from 61.2% in 2007. This increase of 0.8%, as a percentage of revenues, was primarily attributable to higher compensation costs of 1.9%, partially offset by lower weather related auto tow claim costs of 0.3%, lower telephone costs of 0.3%, lower facility and maintenance costs of 0.2% and lower other costs of 0.3%, primarily billable supply costs and recruiting.

In the EMEA segment, as a percentage of revenues, direct salaries and related costs decreased to 68.0% in 2008 from 68.4% in 2007. This decrease of 0.4% was primarily attributable to lower fulfillment material costs of 1.3%, lower telephone costs of 0.5%, lower billable supply costs of 0.3%, lower postage costs of 0.2% and lower other costs of 0.1% partially offset by higher compensation costs of 1.4% and higher recruiting costs of 0.6%.

General and Administrative

General and administrative costs increased \$23.0 million, or 11.2%, to \$229.0 million for 2008, from \$206.0 million in 2007.

On a geographic segment basis, general and administrative costs from the Americas segment increased \$15.1 million, or 13.9%, to \$123.9 million for 2008 from \$108.8 million in 2007. General and administrative costs from the EMEA segment increased \$5.9 million, or 10.2%, to \$64.2 million for 2008 from \$58.3 million in 2007. While changes in foreign currency exchange rates positively impacted revenues in the Americas and EMEA, they negatively impacted general and administrative costs in 2008 and 2007 by approximately \$1.4 million and \$0.6 million, respectively. Corporate general and administrative costs increased \$2.0 million, or 5.1%, to \$40.9 million for 2008 from \$38.9 million in 2007. This increase of \$2.0 million was primarily attributable to a higher bad debt expense of \$1.0 million, higher travel and meeting costs of \$0.8 million, higher compensation costs of \$0.7 million, higher depreciation and amortization of \$0.3 million, higher dues and subscriptions of \$0.2 million, higher charitable contributions of \$0.2 million, higher insurance costs of \$0.1 million, higher taxes (other than income taxes) of \$0.1 million and higher other costs of \$0.3 million, partially offset by lower professional fees of \$1.7 million.

In the Americas segment, as a percentage of revenues, general and administrative costs remained unchanged at 22.5% in 2008 and 2007. Higher compensation costs of 0.6%, higher taxes (other than income taxes) of 0.1% and

higher bad debt expense of 0.1% were offset by lower depreciation expense of 0.2% and lower other costs of 0.6%, primarily facility related costs, telephone costs, professional fees and insurance costs.

In the EMEA segment, as a percentage of revenues, general and administrative costs decreased to 24.0% in 2008 from 25.7% in 2007. This decrease of 1.7% was primarily attributable to lower bad debt expense of 0.4%, recruiting costs of 0.4%, lower facility related expenses of 0.3%, lower compensation costs of 0.2%, lower taxes (other than income taxes) of 0.2%, lower travel and meetings costs of 0.1% and lower depreciation expense of 0.1%.

Provision for Regulatory Penalties

Provision for regulatory penalties of \$1.3 million in 2007 is related to privacy claims associated with the alleged inappropriate acquisition of personal bank account information in one of our European subsidiaries.

Net Loss (Gain) on Disposal of Property and Equipment

The net loss on disposal of property and equipment remained unchanged at \$0.3 million for 2008 and 2007, respectively.

Impairment of Long-Lived Assets

There was no asset impairment charge for 2008 or 2007.

Interest Income

Interest income was \$5.4 million in 2008, compared to \$6.3 million in 2007. Interest income decreased \$0.9 million reflecting lower average rates earned on interest-bearing investments in cash and cash equivalents and short-term investments.

Interest Expense

Interest expense was \$0.4 million for 2008 compared to \$0.8 million for 2007, a decrease of \$0.4 million reflecting lower average levels of outstanding short-term debt.

Other Income and Expense

Other income, net, was \$11.3 million in 2008 compared to other expense, net, of \$2.6 million in 2007. This \$13.9 million net increase in other income was primarily attributable to an increase of \$14.7 million in realized and unrealized foreign currency transaction gains, net of losses arising from the revaluation of nonfunctional currency assets and liabilities partially offset by a \$0.1 million increase in the loss on forward points valuation on foreign currency hedges and a \$0.7 million increase in unrealized losses, net of gains on marketable securities held in a Rabbi Trust. Other income excludes the effects of cumulative translation effects and unrealized gains (losses) on financial derivatives that are included in Accumulated Other Comprehensive Income (Loss) in shareholders' equity in the accompanying Consolidated Balance Sheets.

Provision for Income Taxes

The provision for income taxes of \$21.4 million for 2008 was based upon pre-tax income of \$82.0 million, compared to the provision for income taxes of \$14.2 million for 2007 based upon pre-tax income of \$54.1 million. The effective tax rate was 26.1% for 2008 compared to an effective tax rate of 26.3% for 2007. This decrease in the effective tax rate of 0.2% resulted from a shift in our mix of earnings and the effects of permanent differences, valuation allowances, foreign withholding taxes, state income taxes, and foreign income tax rate differentials (including tax holiday jurisdictions) and recognition of income tax benefits of \$2.4 million, including interest and penalties of \$1.0 million, primarily relating to favorable tax audit determinations in 2008, partially offset by withholding taxes of \$6.2 million related to a distribution from the Philippine operations to its foreign parent in the Netherlands and an additional tax expense of \$6.7 million resulting from taxable foreign exchange gains realized on non-functional currencies.

Net Income

As a result of the foregoing, we reported income from operations for 2008 of \$65.7 million, an increase of \$14.6 million from 2007. This increase was principally attributable to a \$109.1 million increase in revenues and a \$1.3 million decrease in provision for regulatory penalties charged in 2007 partially offset by a \$72.8 million increase in direct salaries and related costs, and a \$23.0 million increase in general and administrative costs. The \$14.6 million increase in income from operations, a \$13.9 million increase in other income, net and a decrease in interest expense of \$0.4 million was offset by a \$7.2 million higher tax provision and a decrease in interest income of \$0.9 million, resulting in net income of \$60.6 million for 2008, an increase of \$20.8 million compared to 2007.

Quarterly Results

The following information presents our unaudited quarterly operating results for 2009 and 2008. The data has been prepared on a basis consistent with the Consolidated Financial Statements included elsewhere in this Form 10-K, and includes all adjustments, consisting of normal recurring accruals that we consider necessary for a fair presentation thereof.

<i>(in thousands, except per share data)</i>	<u>12/31/2009</u>	<u>9/30/2009</u>	<u>6/30/2009</u>	<u>3/31/2009</u>	<u>12/31/2008</u>	<u>9/30/2008</u>	<u>6/30/2008</u>	<u>3/31/2008</u>
Revenues	\$ 220,467	\$ 213,494	\$ 208,839	\$ 203,241	\$ 200,774	\$ 207,066	\$ 207,629	\$ 203,721
Operating expenses:								
Direct salaries and related costs	142,540	134,429	133,727	130,253	128,936	130,509	133,708	130,980
General and administrative ⁽²⁾	63,048	58,047	56,477	55,489	58,266	57,304	57,355	56,424
Impairment loss on goodwill and intangibles.....	-	324	1,584	-	-	-	-	-
Total operating expenses	<u>205,588</u>	<u>192,800</u>	<u>191,788</u>	<u>185,742</u>	<u>187,202</u>	<u>187,813</u>	<u>191,063</u>	<u>187,404</u>
Income from operations	<u>14,879</u>	<u>20,694</u>	<u>17,051</u>	<u>17,499</u>	<u>13,572</u>	<u>19,253</u>	<u>16,566</u>	<u>16,317</u>
Other income (expense):								
Interest income	358	495	605	851	1,094	1,274	1,258	1,822
Interest (expense) ⁽³⁾	(504)	(138)	(237)	(114)	(159)	(47)	(125)	(102)
Impairment (loss) on investment in SHPS.....	-	-	(2,089)	-	-	-	-	-
Other income (expense)	(1,236)	119	275	821	4,258	2,737	3,733	531
Total other income (expense)	<u>(1,382)</u>	<u>476</u>	<u>(1,446)</u>	<u>1,558</u>	<u>5,193</u>	<u>3,964</u>	<u>4,866</u>	<u>2,251</u>
Income before provision for income taxes	13,497	21,170	15,605	19,057	18,765	23,217	21,432	18,568
Provision for income taxes ^{(1) (4)}	18,186	2,388	1,257	4,287	11,135	3,725	3,703	2,858
Net income (loss).....	<u>\$ (4,689)</u>	<u>\$ 18,782</u>	<u>\$ 14,348</u>	<u>\$ 14,770</u>	<u>\$ 7,630</u>	<u>\$ 19,492</u>	<u>\$ 17,729</u>	<u>\$ 15,710</u>
Net income (loss) per share ⁽⁵⁾ :								
Basic	<u>\$ (0.11)</u>	<u>\$ 0.46</u>	<u>\$ 0.35</u>	<u>\$ 0.36</u>	<u>\$ 0.19</u>	<u>\$ 0.48</u>	<u>\$ 0.44</u>	<u>\$ 0.39</u>
Diluted	<u>\$ (0.11)</u>	<u>\$ 0.46</u>	<u>\$ 0.35</u>	<u>\$ 0.36</u>	<u>\$ 0.19</u>	<u>\$ 0.47</u>	<u>\$ 0.43</u>	<u>\$ 0.38</u>
Weighted average shares:								
Basic	<u>40,827</u>	<u>40,743</u>	<u>40,654</u>	<u>40,630</u>	<u>40,687</u>	<u>40,678</u>	<u>40,599</u>	<u>40,491</u>
Diluted	<u>41,151</u>	<u>41,097</u>	<u>40,953</u>	<u>41,034</u>	<u>41,092</u>	<u>41,070</u>	<u>40,953</u>	<u>40,813</u>

⁽¹⁾ The quarter ended December 31, 2008 includes additional expense of \$4.1 million, primarily due to an unfavorable verdict by the German Supreme Court that overturned a lower German tax court ruling, \$6.7 million on a distribution of foreign earnings, partially offset by a \$1.1 million reversal of unrecognized tax benefits related to favorable tax audit determinations. The quarter ended September 30, 2008 includes tax benefits of \$6.1 million due to reversal of income tax valuation allowances. See Note 18 of the accompanying Consolidated Financial Statements.

⁽²⁾ The quarters ended December 31, 2009 and September 30, 2009 include \$2.3 million and \$1.0 million, respectively, in transaction costs relating to the acquisition of ICT.

⁽³⁾ The quarter ended December 31, 2009 includes \$0.3 million in interest and amortization of deferred loan fees related to the \$75.0 million Bermuda Credit Agreement.

⁽⁴⁾ The quarter ended December 31, 2009 includes additional expense of \$14.7 million relating to our deemed change of assertion in the fourth quarter of 2009 regarding the permanent reinvestment of foreign subsidiaries' accumulated and undistributed earnings, partially offset by a \$5.8 million reversal of income tax valuation allowances.

⁽⁵⁾ Net income per basic and diluted share is computed independently for each of the quarters presented and therefore may not sum to the total for the year.

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 Board of Directors authorized the Company to purchase up to three million shares of our outstanding common stock. A total of 1.9 million shares have been repurchased under this 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. During 2009, we repurchased 224 thousand common shares under the 2002 repurchase program at prices ranging between \$13.72 and \$14.75 per share for a total cost of \$3.2 million. During 2008 we repurchased 34 thousand common shares under the 2002 repurchase at a price of \$14.83 per share for a total cost of \$0.5 million (none in 2007). We expect to make additional stock repurchases under this program in 2010 if market conditions are favorable.

During 2009, we generated \$87.6 million in cash from operating activities, received \$75.0 million from the issuance of short term debt, \$3.5 million in cash from grant proceeds, \$3.2 million proceeds from the issuance of common stock, \$0.8 million from the release of restricted cash, \$0.2 million from proceeds from the sale of property and equipment and \$0.9 million in excess tax benefits from stock-based compensation. Further, we used \$80.0 million for an increase in restricted cash related to a short term debt covenant, \$30.3 million for capital expenditures, repurchased \$3.2 million of the Company's stock, repurchased an additional \$1.1 million of stock for minimum tax withholding on restricted stock and \$1.4 million on debt issuance costs resulting in a \$60.8 million increase in available cash (including the favorable effects of international currency exchange rates on cash of \$5.6 million).

Net cash flows provided by operating activities for 2009 were \$87.6 million, compared to \$80.9 million provided by operating activities for 2008. The \$6.7 increase in net cash flows from operating activities was due to a \$10.3 million increase in non-cash reconciling items such as impairment losses, depreciation and amortization, deferred income taxes, stock-based compensation, unrealized gains on financial instruments and a net increase of \$13.8 million in cash flows from assets and liabilities offset by a \$17.4 million decrease in net income. The \$13.8 million increase in cash flows from assets and liabilities was principally a result of a \$14.4 million decrease in receivables and a \$7.6 million increase in income taxes payable offset by a \$1.4 million increase in other assets, a \$1.6 million decrease in deferred revenue and a \$5.2 million decrease in other liabilities.

Capital expenditures, which are generally funded by cash generated from operating activities and borrowings available under our credit facilities, were \$30.3 million for 2009, compared to \$34.7 million for 2008, a decrease of \$4.4 million. During 2009, approximately 44% of the capital expenditures were the result of investing in new and existing customer contact management centers, primarily offshore, and 56% was expended primarily for maintenance and systems infrastructure. In 2010, we anticipate capital expenditures in the range of \$40.0 million to \$45.0 million.

On February 2, 2010, we entered into a new Credit Agreement (the "New Credit Agreement") with a group of lenders and KeyBank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent ("KeyBank"). The New 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 ICT acquisition on such date.

The \$75 million revolving credit facility provided under the New Credit Agreement replaces our previous senior revolving credit facility provided by KeyBank. The \$75 million revolving credit facility, which includes a \$40 million multi-currency sub-facility, a \$10 million swingline sub-facility and a \$5 million letter of credit sub-facility, 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, due to recent economic conditions and the volatile business climate facing financial institutions, there can

be no assurance that such facility will be available to us, even though it is a binding commitment. The Term Loan and the revolving credit facility will mature on February 1, 2013. The Term Loan is required to be repaid in quarterly amounts commencing on June 30, 2010 and continuing at the end of each quarter thereafter as follows: \$2.5 million per quarter in 2010, \$3.75 million per quarter in 2011, and \$5 million per quarter in 2012, with a final payment due at maturity in 2013.

Borrowings under the New 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%. Swing Line 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.

The New 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.

On December 11, 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 provides for a \$75 million short-term loan to Sykes Bermuda and requires that Sykes Bermuda and its direct subsidiaries maintain cash and cash equivalents of at least \$80 million at all times. Sykes Bermuda drew down the full \$75 million on December 11, 2009 and paid an underwriting fee of \$0.8 million which was deferred and amortized over the term of the loan. The loan, which matures on March 31, 2010, is secured by a pledge of 100% of the non-voting and 65% of the voting capital stock of all the direct subsidiaries of Sykes Bermuda. The Bermuda Credit Agreement requires Sykes Bermuda to prepay the outstanding loan, subject to certain exceptions, with the net cash proceeds of all asset dispositions, debt issuances, and insurance and condemnation proceeds not used to replace or rebuild the affected property. Outstanding amounts bear interest, 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 \$75 million outstanding short-term loan under the Bermuda Credit Agreement with a current interest rate of 3.8125% in 2009 is included in “Current liabilities” in the accompanying Consolidated Balance Sheet as of December 31, 2009. The related interest expense and amortization of deferred loan fees of \$0.3 million are included in “Interest expense” in the accompanying Consolidated Statement of Operations for 2009 (none in 2008).

Simultaneous with the execution and delivery of the Bermuda Credit Agreement, we entered into a Guaranty of Payment agreement with KeyBank, pursuant to which the obligations of Sykes Bermuda under the Bermuda Credit Agreement are guaranteed by SYKES.

Also, simultaneous with the execution and delivery of the Bermuda Credit Agreement, SYKES, KeyBank and the other lenders party thereto entered into a First Amendment Agreement, amending the credit agreement, dated March 30, 2009, between SYKES, KeyBank and the other lenders party thereto. The First Amendment Agreement amended the terms of the credit agreement to permit the loan to Sykes Bermuda and SYKES’ guaranty of that loan. As of December 31, 2009 and 2008, there were no outstanding balances and no borrowings in 2009 under the credit agreement dated March 30, 2009, as amended. As previously mentioned, this credit agreement, dated March 30, 2009, was subsequently terminated on February 2, 2010 simultaneous with entering into the New Credit Agreement.

At December 31, 2009, we were in compliance with all loan requirements of the credit agreement dated March 30, 2009 and the Bermuda Credit Agreement.

Effective January 1, 2008, the Company adopted the provisions of ASC 820 (“ASC 820”) “Fair Value Measurements and Disclosures”. Adoption of ASC 820 did not have a material effect on our financial condition, results of operations or cash flows. There were no material changes made to the valuation techniques and methodologies used to measure fair value during 2009. See Note 1 of the accompanying Consolidated Financial Statements for further information related to the adoption of ASC 820 and Item 7A “Quantitative and Qualitative Disclosures about Market Risk” for further information regarding foreign currency risk.

At December 31, 2009, we had \$279.9 million in cash and cash equivalents (excluding restricted cash of \$80.3 million), of which approximately 64% or \$179.3 million was held in international operations and may be subject to additional taxes if repatriated to the United States. We anticipate using \$85.0 million of our foreign subsidiaries' accumulated and undistributed earnings to pay down the \$75 million Term Loan and \$10 million of costs related to the ICT acquisition within 24 months. In connection with our borrowing of the \$75 million Term Loan on February 2, 2010 to close the ICT acquisition and a \$10 million increase in our estimate of costs relating to the ICT acquisition, we were deemed to have had a change of assertion in the fourth quarter of 2009 regarding the permanent reinvestment of \$85 million of our foreign subsidiaries' accumulated and undistributed earnings. This change in assertion resulted in a deferred tax expense of \$14.7 million for the fourth quarter of 2009, net of a release of a valuation allowance of \$1.6 million on foreign tax credits. See Notes 16 and 18 in the accompanying Consolidated Financial Statements for further information. The anticipated cash tax portion of the deferred tax expense of \$14.7 million is expected to be between \$5.0 million and \$10.0 million.

We believe that our resources including our current cash levels, accessible funds under our credit facilities and cash generated from future operations will be adequate to meet anticipated working capital needs, future debt repayment requirements, continued expansion objectives, anticipated levels of capital expenditures and contractual obligations for the foreseeable future and any stock repurchases. Our cash resources could also be affected by various risks and uncertainties, including, but not limited to the risks detailed in Part I, Item 1A titled "Risk Factors."

Off-Balance Sheet Arrangements and Other

At December 31, 2009, 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.

From time to time, during the normal course of business, we may make certain indemnities, commitments and guarantees under which we may be required to make payments in relation to certain transactions. These include, but are not limited to: (i) indemnities to clients, vendors and service providers pertaining to claims based on negligence or willful misconduct and (ii) indemnities involving breach of contract, the accuracy of representations and warranties, or other liabilities assumed by us in certain contracts. In addition, we have agreements whereby we will indemnify certain officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The indemnification period covers all pertinent events and occurrences during the officer's or director's lifetime. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited; however, we have director and officer insurance coverage that limits our exposure and enables us to recover a portion of any future amounts paid. We believe the applicable insurance coverage is generally adequate to cover any estimated potential liability under these indemnification agreements. The majority of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential for future payments we could be obligated to make. We have not recorded any liability for these indemnities, commitments and other guarantees in the accompanying Consolidated Balance Sheets. In addition, we have some client contracts that do not contain contractual provisions for the limitation of liability, and other client contracts that contain agreed upon exceptions to limitation of liability. We have not recorded any liability in the accompanying Consolidated Balance Sheets with respect to any client contracts under which we have or may have unlimited liability.

Contractual Obligations

The following table summarizes our contractual cash obligations at December 31, 2009, and the effect these obligations are expected to have on liquidity and cash flow in future periods (in thousands):

	Payments Due By Period					Other
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years	
Operating leases ⁽¹⁾	\$ 36,177	\$ 15,315	\$ 10,572	\$ 3,987	\$ 6,303	\$ -
Purchase obligations and other ⁽²⁾	11,700	8,502	3,181	17	-	-
Other short-term liabilities ⁽³⁾	3,737	3,737	-	-	-	-
Long-term tax liabilities ⁽⁴⁾	5,376	-	-	-	-	5,376
Forward Contracts ⁽⁵⁾	326	326	-	-	-	-
Short-term debt and related interest ⁽⁶⁾ ..	75,951	75,951	-	-	-	-
Other long-term liabilities ⁽⁷⁾	992	-	-	3	989	-
Total contractual cash obligations	<u>\$ 134,259</u>	<u>\$ 103,831</u>	<u>\$ 13,753</u>	<u>\$ 4,007</u>	<u>\$ 7,292</u>	<u>\$ 5,376</u>

- (1) Amounts represent the expected cash payments of our operating leases as discussed in Note 21 to the accompanying Consolidated Financial Statements.
- (2) 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.
- (3) Other short-term liabilities include a \$1.3 million estimated liability related to the provision for regulatory penalties and \$2.4 million related to the Deferred Compensation Plan as discussed in Notes 21 and 23, respectively, to the accompanying Consolidated Financial Statements.
- (4) Long-term tax liabilities include uncertain tax positions and related penalties and interest as discussed in Note 18 to the accompanying Consolidated Financial Statements. We cannot make reasonably reliable estimates of the cash settlement of these long-term liabilities with the taxing authority; therefore, amounts have been excluded from payments due by period.
- (5) Amounts represent estimated obligations related to forward contracts as discussed in Note 8 to the accompanying Consolidated Financial Statements. These amounts will fluctuate with movements in the underlying market price of the forward contracts.
- (6) Short-term debt and related interest due March 31, 2010 under the Bermuda Credit Agreement. See Note 16 to the accompanying Consolidated Financial Statements.
- (7) Other long-term liabilities, which exclude deferred income taxes, represent the expected cash payments due under pension obligations and minority shareholders of certain subsidiaries.

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 pursuant to Accounting Standards Codification (“ASC”) 605 “Revenue Recognition”.

We primarily recognize revenue from services as the services are performed, which is based on either on a per minute, per call or per transaction basis, under a fully executed contractual agreement and record reductions to revenue 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.

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 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 we determine the allocation of revenue between deliverable elements, there are no further changes in the revenue allocation. If the separation criteria are met, revenue from these services is 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 these 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.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts of \$3.5 million as of December 31, 2009, or 2.1% 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, 2009, we determined that a total valuation allowance of \$32.1 million was necessary to reduce U.S. deferred tax assets by \$9.3 million and foreign deferred tax assets by \$22.8 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 \$5.4 million at December 31, 2009 is dependent upon future profitability within each tax jurisdiction. During 2009, we determined that our profitability and expectations of future profitability of our foreign and domestic operations indicated that it was "more likely than not" that portions of the deferred tax assets would be realized. Accordingly, in the third quarter of 2009, we recognized a net increase in our U. S. deferred tax assets of \$4.8 million through a partial reversal of the valuation allowance related to our anticipated utilization of our domestic net operating loss carry-forward.

Additionally, we determined that \$1.6 million of U.S. deferred tax assets should be recognized in the fourth quarter of 2009, since the foreign tax credits were now more likely than not to be realized due to our deemed change of assertion, regarding the permanent reinvestment of \$85.0 million of foreign subsidiaries' accumulated and undistributed earnings, which came about due to our borrowing of a \$75 million Term Loan on February 2, 2010 to close the ICT acquisition and a \$10 million increase in estimated costs relating to the ICT acquisition. The proposed

acquisition of ICT and the intent to fund the transaction through committed credit facilities was announced on October 6, 2009. Under the provisions of ASC 740-30-25-19, we determined that, based upon historical results, we could not retire the \$75 million Term Loan and pay the additional \$10 million in estimated costs without depleting excess U.S. cash flows needed for future operations. Accordingly, a deferred tax expense of \$14.7 million was required to be recorded for financial reporting purposes in the fourth quarter of 2009 under ASC 740-30. The Finance Committee of our Board of Directors approved the repatriation of \$85 million of foreign subsidiaries' accumulated and undistributed earnings on February 8, 2010. These increases in the U. S. deferred tax assets were partially offset by a net decrease of \$0.6 million in deferred tax assets when we placed an additional net valuation allowance on a foreign subsidiaries' deferred tax assets related to the future use of their net operating losses. The net reversal of the valuation allowance of \$5.8 million reduced the provision for income taxes in the accompanying Consolidated Statements of Operations for 2009.

Generally, earnings associated with our investments in our subsidiaries are considered to be permanently invested and normally provisions for income taxes on those earnings or translation adjustments are not recorded. Our deemed change in assertion regarding the permanent reinvestment of \$85.0 million of foreign subsidiaries' accumulated and undistributed earnings resulted in additional deferred tax liability and expense of \$14.7 million, net of a release of a valuation allowance of \$1.6 million on foreign tax credits in the fourth quarter of 2009. In addition, in 2009, we changed our intent with respect to the distribution of current earnings for one lower tier subsidiary. We accrued withholding tax of \$2.5 million in 2009 with respect to this subsidiary's current earnings. A provision for income taxes has not been made for the remaining balance of undistributed earnings of foreign subsidiaries of approximately \$295 million at December 31, 2009, as the earnings are permanently reinvested in foreign business operations in accordance with ASC 740-30. The U.S. Department of the Treasury released the "General Explanations of the Administration's Fiscal Year 2010 Revenue Proposals" in May 2009. These proposals represent a significant shift in international tax policy, which may materially impact U.S. taxation of international earnings, including our position on permanent reinvestment of foreign 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. 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 adopted the provisions of uncertain tax positions in ASC 740 on January 1, 2007 and recognized a \$2.7 million liability for unrecognized tax benefits, including interest and penalties, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. This adjustment to the beginning balance of retained earnings includes \$1.3 million related to transfer pricing penalties that may be assessed in connection with an income tax audit of our Indian subsidiary. Upon adoption of FIN 48 as of January 1, 2007, we had \$9.1 million of unrecognized tax benefits (including \$4.6 million of net operating loss carryforwards that were previously recognized as deferred tax assets with a full valuation allowance).

As of December 31, 2009, we had \$3.8 million of unrecognized tax benefits, a net increase of \$0.4 million from \$3.4 million as of December 31, 2008. This increase results primarily from proposed foreign audit adjustments, partially offset by the expiration of statutes of limitations on certain foreign subsidiaries and favorable exchange rates. Had we recognized these tax benefits, approximately \$3.1 million, \$3.1 million and \$5.1 million and the related interest and penalties would favorably impact the effective tax rate in 2009, 2008 and 2007, respectively. We believe it is reasonably possible that our unrecognized tax benefits will decrease or be recognized in the next twelve months by up to \$1.1 million due to expiration of statutes of limitations, audit or appeal resolution in various tax jurisdictions.

Impairment of Long-lived Assets

We review long-lived assets, which had a carrying value of \$103.6 million as of December 31, 2009, 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.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued ASC 820 (“ASC 820”) “*Fair Value Measurements and Disclosures*”, which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. We adopted the provisions of ASC 820 on January 1, 2008. The adoption of this standard did not have a material impact on our financial condition, results of operations or cash flows. See Note 2 – Fair Value to our Consolidated Financial Statements for further information.

In March 2007, the Emerging Issues Task Force (“EITF”) reached a consensus on ASC 715-60 (“ASC 715-60”) “*Topic 715 Compensation – Retirement Benefits - Subtopic 60 Defined Benefits Plans – Other Postretirement*”. ASC 715-60 provides guidance on the employer’s recognition of assets, liabilities and related compensation costs for collateral assignment split-dollar life insurance arrangements that provide a benefit to an employee that extends into postretirement periods. We adopted the provisions of ASC 715-60 on January 1, 2008. As a result of the implementation of ASC 715-60, we recognized a \$0.5 million liability for a postretirement benefit obligation related to a split dollar arrangement on behalf of our founder and former Chairman and Chief Executive Officer which was accounted for as a reduction to the January 1, 2008 balance of retained earnings. See Note 22 – Defined Benefit Pension Plan and Post-Retirement Benefits to our Consolidated Financial Statements for further information.

In December 2007, the FASB issued ASC 805 (“ASC 805”) “*Business Combinations*” and modifications to ASC 810 (“ASC 810”) “*Consolidation*”. ASC 805 changes how business acquisitions are accounted for and impacts financial statements both on the acquisition date and in subsequent periods. ASC 810 includes changes to the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of shareholders’ equity. On January 1, 2009, we adopted the provisions of ASC 805 and the modifications to ASC 810, relating to noncontrolling interests. ASC 805 will be applied prospectively for all business combinations entered into after January 1, 2009, the date of adoption. See Note 26 – Subsequent Event for further information on the acquisition of ICT. The modified provisions of ASC 810 will also be applied prospectively to all noncontrolling interests, except for the presentation and disclosure provisions which are applied retrospectively to any noncontrolling interests that arose before January 1, 2009. The adoption of these standards did not have a material impact on our financial condition, results of operations or cash flows.

In March 2008, the FASB issued modifications to ASC 815 (“ASC 815”) “*Derivatives and Hedging*”, requiring increased qualitative, quantitative, and credit-risk disclosures about an entity’s derivative instruments and hedging activities. On January 1, 2009, we adopted the modifications to ASC 815. The adoption of this standard did not have a material impact on our financial condition, results of operations or cash flows. See Note 8 – Financial Derivatives to our Consolidated Financial Statements for further information.

In April 2008, the FASB issued modifications to ASC 350 (“ASC 350”) “*Intangibles – Goodwill and Other*”. The modifications to ASC 350 amended the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets. This new guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. On January 1, 2009 we adopted the modifications to ASC 350. The adoption of this standard did not have a material impact on our financial condition, results of operations or cash flows.

In December 2008, the FASB issued modifications to ASC 715-20 (“ASC 715-20”) “*Topic 715 Compensation – Retirement Benefits - Subtopic 20 Defined Benefits Plans - General*”, which provides additional guidance on an employer’s disclosures about plan assets of a defined benefit pension or other postretirement plan. The modifications to ASC 715-20 are effective for financial statements issued for fiscal years ending after December 15, 2009. The adoption of the modifications to ASC 715-20 did not have a material impact on our financial condition,

results of operations or cash flows. See Note 22 – Defined Benefit Pension Plan and Post-Retirement Benefits for further information.

In April 2009, the FASB issued modifications to ASC 805-20 (“ASC 805-20”) “*Topic 805 Business Combinations – Subtopic 20 Identifiable Assets and Liabilities, and Any Noncontrolling Interests,*” which requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably estimated. If fair value of such an asset or liability cannot be reasonably estimated, the asset or liability would generally be recognized in accordance with ASC 450 (“ASC 450”) “*Contingencies*”. Further, ASC 805-20 requires that a systematic and rational basis for subsequently measuring and accounting for the assets or liabilities arising from contingencies be developed based on their nature. The modifications to ASC 805-20 are effective for assets or liabilities arising from contingencies in business combinations whose acquisition date is on or after January 1, 2009. The adoption of these modifications to ASC 805-20 did not have a material impact on our financial condition, results of operations or cash flows.

In April 2009, the FASB issued modifications to ASC 825 (“ASC 825”) “*Financial Instruments*”, to extend the annual disclosures about fair value of financial instruments to interim reporting periods. The modifications to ASC 825 are effective for interim reporting periods ending after June 15, 2009, and were adopted on April 1, 2009. The adoption of these modifications to ASC 825 did not have a material impact on our financial condition, results of operations or cash flows. See Note 1- Basis of Presentation and Summary of Significant Accounting Policies – Fair Value Measurements for further information.

In April 2009, the FASB issued modifications to ASC 820. The modifications to ASC 820 provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability. The modifications to ASC 820 also provide guidance on circumstances that may indicate a transaction is not orderly (that is, distressed or forced). The modifications to ASC 820 are effective on a prospective basis for interim and annual reporting periods ending after June 15, 2009, and were adopted on April 1, 2009. The adoption of these modifications to ASC 820 did not have a material impact on our financial condition, results of operations or cash flows.

In April 2009, the FASB issued modifications to ASC 320 (“ASC 320”) “*Investments—Debt and Equity Securities*”, which amends the recognition and presentation of other-than-temporary impairments for debt securities and provides new disclosure requirements for both debt and equity securities. Upon adoption of the modifications to ASC 320, the non-credit component of previously recognized other-than-temporary impairment on debt securities held on that date is reclassified from Retained Earnings to Accumulated Other Comprehensive Income and reported as a cumulative-effect adjustment as of the beginning of the period of adoption, if the entity does not intend to sell the security and it is not more likely than not that it will be required to sell the security before recovery of its amortized cost basis. The modifications to ASC 320 are effective for interim and annual reporting periods ending after June 15, 2009, and were adopted on April 1, 2009. The adoption of these ASC 320 modifications did not have a material impact on our financial condition, results of operations or cash flows. See Note 9 – Investments Held in Rabbi Trust for further information.

In May 2009, the FASB issued ASC 855 (“ASC 855”) “*Subsequent Events*”, which establishes general standards of accounting for, and disclosures of, events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. ASC 855 is effective on a prospective basis for interim or annual periods ending after June 15, 2009, and was adopted on April 1, 2009. This standard did not have a material impact on our financial condition, results of operations and cash flows.

In June 2009, the FASB issued ASC 105 (“ASC 105”) “*Generally Accepted Accounting Principles*”. ASC 105 states that the FASB Accounting Standards Codification (“Codification”) will become the single source of authoritative U.S. generally accepted accounting principles (“GAAP”) recognized by the FASB. The Codification and all of its contents, which changes the referencing of financial standards, will carry the same level of authority. In other words, the GAAP hierarchy will be modified to include only two levels of GAAP, authoritative and nonauthoritative. ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009, and was adopted July 1, 2009. Therefore, all references to GAAP use the new Codification numbering system prescribed by the FASB. As the Codification is not intended to change or alter existing GAAP, it did not have an impact on our financial condition, results of operations and cash flows.

In August 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-05 (“ASU 2009-05”), “*Measuring Liabilities at Fair Value*”, which provides clarification for the fair value measurement of liabilities in circumstances in which a quoted price in an active market for an identical liability is not available. ASU 2009-05 is

effective for the first interim period ending after December 15, 2009, and was adopted on October 1, 2009. This standard did not have a material impact on our financial condition, results of operations or cash flows.

In September 2009, the FASB issued ASU No. 2009-12 (“ASU 2009-12”), *“Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)”*, which provides guidance on measuring the fair value of certain alternative investments. ASU 2009-12 amends ASC 820 to offer investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value per share. ASU 2009-12 is effective for interim and annual periods ending after December 15, 2009, and was adopted on October 1, 2009. This standard did not have a material impact on our financial condition, results of operations or cash flows.

In October 2009, the FASB issued ASU No. 2009-13 (“ASU 2009-13”), *“Multiple-Deliverable Revenue Arrangements”*, which amends ASC 605, *“Revenue Recognition”*. ASU 2009-13 provides guidance related to the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting and modifies the manner in which the transaction consideration is allocated across the individual deliverables. Also, the standard expands the disclosure requirements for revenue arrangements with multiple deliverables. ASU 2009-13 is effective for fiscal years beginning on or after June 15, 2010. We are currently evaluating the impact of adopting this standard on our financial condition, results of operations and cash flows.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Risk

Our earnings and cash flows are subject to fluctuations due to changes in non-U.S. currency exchange rates. We are exposed to non-U.S. exchange rate fluctuations as the financial results of non-U.S. subsidiaries are translated into U.S. dollars in consolidation. As exchange rates vary, those results, when translated, may vary from expectations and adversely impact overall expected profitability. The cumulative translation effects for subsidiaries using functional currencies other than the U.S. dollar are included in “Accumulated other comprehensive income (loss)” in shareholders’ equity. Movements in non-U.S. 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. Periodically, we use foreign currency contracts to hedge intercompany receivables and payables, and transactions initiated in the United States that are denominated in foreign currency.

We serve a number of U.S.-based clients using customer contact management center capacity in the Philippines which is within our Americas’ segment. Although the contracts with these clients are priced in U.S. dollars, a substantial portion of the costs incurred to render services under these contracts are denominated in Philippine pesos (PHP), which represent a foreign exchange exposure.

As of December 31, 2009, forward contracts to acquire a total of PHP 2.0 billion throughout 2010 were outstanding with counterparties at a fixed price of \$39.4 million USD. The forward contracts hedge approximately 29% of our exposure related to the anticipated cash flow requirements denominated in PHP. As of December 31, 2009, we had net total derivative assets associated with these contracts of \$2.8 million, which will settle within the next 12 months. The fair value of these derivative instruments as of December 31, 2009 is presented in Note 8 – Financial Derivatives of the accompanying Consolidated Financial Statements. If the U.S. dollar was to weaken against the PHP by 10% from current period-end levels, we would incur a loss of approximately \$3.9 million on the underlying exposures of the derivative instruments. However, this loss would be partially offset by a corresponding gain of approximately \$3.9 million in our underlying exposures.

As of December 31, 2009, a forward contract settling in August 2010 to sell 12.5 million Canadian dollars (CAD) at a fixed price of Euro 8.1 million was assigned to hedge our exposure to an intercompany loan denominated in CAD. As of December 31, 2009, we had net total derivative assets associated with these contracts of \$0.1 million, which will settle within the next 8 months. The fair value of these derivative instruments as of December 31, 2009 is presented in Note 8 – Financial Derivatives of the accompanying Consolidated Financial Statements. If the U.S. dollar was to weaken against the Canadian dollar by 10% from current period-end levels, we would incur a loss of approximately \$1.3 million on the underlying exposures of the derivative instruments. However, this loss would be partially offset by a corresponding gain of approximately \$1.3 million in our underlying exposures.

In January 2010, the Company entered into forward contracts to sell U.S. dollars of \$5.8 million at fixed prices of 6.1 million Canadian dollars to hedge intercompany forecasted cash outflows through December 2010.

We evaluate the credit quality of potential counterparties to derivative transactions and periodically monitor changes to counterparty credit quality as well as our concentration of credit exposure to individual counterparties. We do not use derivative instruments for trading or speculative purposes.

Interest Rate Risk

Our exposure to interest rate risk results from variable debt outstanding under our Bermuda Credit Agreement and revolving credit facility. We pay interest on outstanding borrowings at interest rates that fluctuate based upon changes in various base rates. There was \$75 million in borrowings outstanding under our Bermuda Credit Agreement at December 31, 2009. Based on our level of variable rate debt outstanding during 2009, a one-point increase in the weighted average interest rate, which generally equals the Eurodollar rate plus an applicable margin, would not have had a material impact on our financial position or results of operations.

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

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data required by this item are located beginning on page 54 and page 35 of this report, respectively.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of December 31, 2009, 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 December 31, 2009, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report On Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, we used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, management believes that, as of December 31, 2009, our internal control over financial reporting was effective.

Our independent registered public accounting firm has issued an attestation report on our internal control over financial reporting. This report appears on page 46.

Changes to Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Sykes Enterprises, Incorporated
Tampa, Florida

We have audited the internal control over financial reporting of Sykes Enterprises, Incorporated and subsidiaries (the "Company") as of December 31, 2009, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

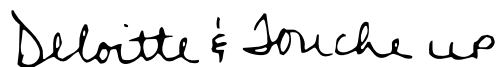
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2009 of the Company and our report dated March 1, 2010 expressed an unqualified opinion on those financial statements and financial statement schedule.



Certified Public Accountants
Tampa, Florida

March 1, 2010

Item 9B. Other Information

None.

PART III

Items 10. through 14.

All information required by Items 10 through 14, with the exception of information on Executive Officers which appears in this report in Item 1 under the caption “Executive Officers”, is incorporated by reference to SYKES’ Proxy Statement for the 2010 Annual Meeting of Shareholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this report:

- (1) Consolidated Financial Statements

The Index to Consolidated Financial Statements is set forth on page 54 of this report.

- (2) Financial Statements Schedule

Schedule II — Valuation and Qualifying Accounts is set forth on page 102 of this report.

Other schedules have been omitted because they are not required or applicable or the information is included in the consolidated financial statements or notes therein.

- (3) Exhibits:

Exhibit Number	Exhibit Description
2.1	Articles of Merger between Sykes Enterprises, Incorporated, a North Carolina Corporation, and Sykes Enterprises, Incorporated, a Florida Corporation, dated March 1, 1996. ⁽¹⁾
2.2	Articles of Merger between Sykes Enterprises, Incorporated and Sykes Realty, Inc. ⁽¹⁾
2.3	Shareholder Agreement dated December 11, 1997, by and among Sykes Enterprises, Incorporated and HealthPlan Services Corporation. ⁽²⁾
2.4	Stock Purchase Agreement, dated September 1, 1998, between Sykes Enterprises, Incorporated and HealthPlan Services Corporation. ⁽⁴⁾
2.5	Merger Agreement, dated as of June 9, 2000, among Sykes Enterprises, Incorporated, SHPS, Incorporated, Welsh Carson Anderson and Stowe, VIII, LP (“WCAS”) and Slugger Acquisition Corp. ⁽⁹⁾
2.6	Stock Purchase Agreement, dated as of July 3, 2006, between SEI International Services, S.a.r.l., a Luxembourg corporation, and Sykes Enterprises, Incorporated Holdings B.V., a Netherlands corporation and Antonio Marcelo Cid, an individual, Humberto Daniel Sahade, an individual, and AM Transport, LLC, a Delaware limited liability company. ⁽²²⁾
2.7	Agreement and Plan of Merger, dated as of October 5, 2009, among ICT Group, Inc., Sykes Enterprises, Incorporated, SH Merger Subsidiary I, Inc., and SH Merger Subsidiary II, LLC ⁽²⁷⁾
3.1	Articles of Incorporation of Sykes Enterprises, Incorporated, as amended. ⁽⁵⁾
3.2	Articles of Amendment to Articles of Incorporation of Sykes Enterprises, Incorporated, as amended. ⁽⁶⁾
3.3	Bylaws of Sykes Enterprises, Incorporated, as amended. ⁽¹⁷⁾
4.1	Specimen certificate for the Common Stock of Sykes Enterprises, Incorporated. ⁽¹⁾
10.1	1996 Employee Stock Option Plan. ^{(1)*}
10.2	Amended and Restated 1996 Non-Employee Director Stock Option Plan. ^{(10)*}
10.3	1996 Non-Employee Directors’ Fee Plan. ^{(1)*}
10.4	2004 Non-Employee Directors’ Fee Plan. ^{(15)*}
10.5	First Amended and Restated 2004 Non-Employee Director’s Fee Plan. ^{(24)*}

Exhibit Number	Exhibit Description
10.6	Second Amended and Restated 2004 Non-Employee Director's Fee Plan. ^{(26)*}
10.7	Third Amended and Restated 2004 Non-Employee Director's Fee Plan. ^{(28)*}
10.8	Form of Split Dollar Plan Documents. ^{(1)*}
10.9	Form of Split Dollar Agreement. ^{(1)*}
10.10	Form of Indemnity Agreement between Sykes Enterprises, Incorporated and directors & executive officers. ⁽¹⁾
10.11	Tax Indemnification Agreement between Sykes Enterprises, Incorporated and John H. Sykes. ^{(1)*}
10.12	1997 Management Stock Incentive Plan. ^{(3)*}
10.13	1999 Employees' Stock Purchase Plan. ^{(7)*}
10.14	2000 Stock Option Plan. ^{(8)*}
10.15	2001 Equity Incentive Plan. ^{(11)*}
10.16	Deferred Compensation Plan. ^{(17)*}
10.17	2004 Non-Employee Director Stock Option Plan. ^{(14)*}
10.18	Form of Restricted Share And Stock Appreciation Right Award Agreement dated as of March 29, 2006. ^{(18)*}
10.19	Form of Restricted Share And Bonus Award Agreement dated as of March 29, 2006. ^{(18)*}
10.20	Form of Restricted Share Award Agreement dated as of May 24, 2006. ^{(19)*}
10.21	Form of Restricted Share And Stock Appreciation Right Award Agreement dated as of January 2, 2007. ^{(22)*}
10.22	Form of Restricted Share Award Agreement dated as of January 2, 2007. ^{(22)*}
10.23	Form of Restricted Share and Stock Appreciation Right Award Agreement dated as of January 2, 2008. ^{(23)*}
10.24	Amended and Restated Executive Employment Agreement dated as of October 1, 2001 between Sykes Enterprises, Incorporated and John H. Sykes. ^{(12)*}
10.25	Founder's Retirement and Consulting Agreement dated December 10, 2004 between Sykes Enterprises, Incorporated and John H. Sykes. ^{(16)*}
10.26	Stock Option Agreement dated as of January 8, 2002, between Sykes Enterprises, Incorporated and John H. Sykes. ^{(12)*}
10.27	Amended and Restated Employment Agreement dated as of December 30, 2008 between Sykes Enterprises, Incorporated and Charles E. Sykes. ^{(29)*}
10.28	Stock Option Agreement dated as of March 15, 2002 between Sykes Enterprises, Incorporated and Charles E. Sykes. ^{(13)*}
10.29	Stock Option Agreement (Performance Accelerated Option) dated as of March 15, 2002 between Sykes Enterprises, Incorporated and Charles E. Sykes. ^{(13)*}
10.30	Amended and Restated Employment Agreement dated as of December 30, 2008 between Sykes Enterprises, Incorporated and W. Michael Kipphut. ^{(29)*}

Exhibit Number	Exhibit Description
10.31	Stock Option Agreement dated as of October 1, 2001, between Sykes Enterprises, Incorporated and W. Michael Kipphut. ^{(12)*}
10.32	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and Jenna R. Nelson. ^{(29)*}
10.33	Stock Option Agreement dated as of March 11, 2002 between Sykes Enterprises, Incorporated and Jenna R. Nelson. ^{(13)*}
10.34	Independent Subcontractor Agreement dated as of July 27, 2004 between Sykes Enterprises, Incorporated and Gerry L. Rogers. ^{(17)*}
10.35	First Amendment to Independent Subcontractor Agreement dated as of July 27, 2004 between Sykes Enterprises, Incorporated and Gerry L. Rogers. ^{(17)*}
10.36	Stock Option Agreement dated as of March 11, 2002 between Sykes Enterprises, Incorporated and Gerry Rogers. ^{(13)*}
10.37	Stock Option Agreement dated as of October 1, 2001, between Sykes Enterprises, Incorporated and James T. Holder. ^{(12)*}
10.38	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and James T. Holder. ^{(29)*}
10.39	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and William N. Rocktoff. ^{(29)*}
10.40	Stock Option Agreement dated as of March 18, 2002 between Sykes Enterprises, Incorporated and William Rocktoff. ^{(13)*}
10.41	Stock Option Agreement dated as of March 18, 2002 between Sykes Enterprises, Incorporated and William Rocktoff. ^{(13)*}
10.42	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and James Hobby, Jr. ^{(29)*}
10.43	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and Daniel L. Hernandez. ^{(29)*}
10.44	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and David L. Pearson. ^{(29)*}
10.45	Amended and Restated Employment Agreement, dated as of December 29, 2008 between Sykes Enterprises, Incorporated and Lawrence R. Zingale. ^{(29)*}
10.46	Credit Agreement, dated March 30, 2009, between Sykes Enterprises, Incorporated, the lenders party thereto and KeyBank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent ⁽³⁰⁾
10.47	First Amendment Agreement, dated as of December 11, 2009, to Credit Agreement, dated March 30, 2009, between Sykes Enterprises, Incorporated, the lenders party thereto and KeyBank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent ⁽³¹⁾
10.48	Credit Agreement between Sykes (Bermuda) Holdings Limited and KeyBank National Association, dated December 11, 2009 ⁽³¹⁾
10.49	Guaranty of Payment of Sykes Enterprises, Incorporated in favor of KeyBank National Association, dated December 11, 2009 ⁽³¹⁾

Exhibit Number	Exhibit Description
10.50	Credit Agreement, dated February 2, 2010, between Sykes Enterprises, Incorporated, the lenders party thereto and KeyBank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent ⁽³²⁾
10.51	Real Estate Purchase and Sale Agreement Between Sykes Realty, Inc.(as Seller) and Sage Aggregation, LLC (as Purchaser) Concerning Certain Properties Known as The Sykes Portfolio dated as of September 13, 2006. ⁽²¹⁾
10.52	Lease Agreement, dated January 25, 2008, Lease Amendment Number One and Lease Amendment Number Two dated February 12, 2008 and May 28, 2008 respectively, between Sykes Enterprises, Incorporated and Kingtree Office One, LLC. ⁽²⁵⁾
10.53	Continuing Services Agreement between Sykes Enterprises, Incorporated and JHS Equity, LLC, dated May 28, 2008. ⁽²⁵⁾
14.1	Code of Ethics. ⁽³³⁾
21.1	List of subsidiaries of Sykes Enterprises, Incorporated.
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Power of Attorney relating to subsequent amendments (included on the signature page of this report).
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 Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to Section 1350.
*	<i>Indicates management contract or compensatory plan or arrangement.</i>
(1)	<i>Filed as an Exhibit to the Registrant's Registration Statement on Form S-1 (Registration No. 333-2324) and incorporated herein by reference.</i>
(2)	<i>Filed as Exhibit 2.12 to the Registrant's Form 10-K filed with the Commission on March 16, 1998, and incorporated herein by reference.</i>
(3)	<i>Filed as Exhibit 10.14 to the Registrant's Form 10-Q filed with the Commission on July 28, 1998, and incorporated herein by reference.</i>
(4)	<i>Filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Commission on September 25, 1998, and incorporated herein by reference.</i>
(5)	<i>Filed as Exhibit 3.1 to the Registrant's Registration Statement on Form S-3 filed with the Commission on October 23, 1997, and incorporated herein by reference.</i>
(6)	<i>Filed as Exhibit 3.2 to the Registrant's Form 10-K filed with the Commission on March 29, 1999, and incorporated herein by reference.</i>
(7)	<i>Filed as Exhibit 10.19 to the Registrant's Form 10-K filed with the Commission on March 29, 1999, and incorporated herein by reference.</i>
(8)	<i>Filed as Exhibit 10.23 to the Registrant's Form 10-K filed with the Commission on March 29, 2000, and incorporated herein by reference.</i>
(9)	<i>Filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Commission on July 17, 2000, and incorporated herein by reference.</i>
(10)	<i>Filed as Exhibit 10.12 to Registrant's Form 10-Q filed with the Commission on May 7, 2001, and incorporated herein by reference.</i>
(11)	<i>Filed as Exhibit 10.32 to Registrant's Form 10-Q filed with the Commission on May 7, 2001, and incorporated herein by reference.</i>
(12)	<i>Filed as an Exhibit to Registrant's Form 10-K filed with the Commission on March 19, 2002, and incorporated herein by reference.</i>

- (13) *Filed as an Exhibit to Registrant's Form 10-Q filed with the Commission on May 10, 2002, and incorporated herein by reference.*
- (14) *Filed as an Exhibit to Registrant's Proxy Statement for the 2004 annual meeting of shareholders filed with the Commission April 6, 2004.*
- (15) *Filed as an Exhibit to Registrant's Form 10-Q filed with the Commission on August 9, 2004, and incorporated herein by reference.*
- (16) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on December 16, 2004, and incorporated herein by reference.*
- (17) *Filed as an Exhibit to Registrant's Form 10-K filed with the Commission on March 22, 2005, and incorporated herein by reference.*
- (18) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on April 4, 2006, and incorporated herein by reference.*
- (19) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on May 31, 2006, and incorporated herein by reference.*
- (20) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on July 10, 2006, and incorporated herein by reference.*
- (21) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on September 19, 2006, and incorporated herein by reference.*
- (22) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on December 28, 2006, and incorporated herein by reference.*
- (23) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on January 8, 2008, and incorporated herein by reference.*
- (24) *Filed as an Exhibit to the Registrant's Form 10-Q filed with the Commission on May 7, 2008, and incorporated herein by reference.*
- (25) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on May 29, 2008, and incorporated herein by reference.*
- (26) *Filed as an Exhibit to the Registrant's Form 10-Q filed with the Commission on November 5, 2008, and incorporated herein by reference.*
- (27) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on October 9, 2009, and incorporated herein by reference.*
- (28) *Filed as an Exhibit to the Registrant's Proxy Statement for the 2009 annual meeting of shareholders filed with the Commission on April 22, 2009, and incorporated herein by reference.*
- (29) *Filed as an Exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 10, 2009, and incorporated herein by reference.*
- (30) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on April 1, 2009, and incorporated herein by reference.*
- (31) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on December 14, 2009, and incorporated herein by reference.*
- (32) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on February 2, 2010, and incorporated herein by reference.*
- (33) *Available on the Registrant's website at www.sykes.com, by clicking on "Investor Relations" and then "Corporate Governance" under the heading "Corporate Governance."*

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Tampa, and State of Florida, on this 1st day of March 2010.

SYKES ENTERPRISES, INCORPORATED
(Registrant)

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated. Each person whose signature appears below constitutes and appoints W. Michael Kipphut his true and lawful attorney-in-fact and agent, with full power of substitution and revocation, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or should do in person, thereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
<u>/s/ Paul L. Whiting</u> Paul L. Whiting	Chairman of the Board	March 1, 2010
<u>/s/ Charles E. Sykes</u> Charles E. Sykes	President and Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2010
<u>/s/ Furman P. Bodenheimer, Jr.</u> Furman P. Bodenheimer, Jr.	Director	March 1, 2010
<u>/s/ Mark C. Bozek</u> Mark C. Bozek	Director	March 1, 2010
<u>/s/ Lt. Gen. Michael P. Delong (Ret.)</u> Lt. Gen. Michael P. Delong (Ret.)	Director	March 1, 2010
<u>/s/ H. Parks Helms</u> H. Parks Helms	Director	March 1, 2010
<u>/s/ Iain A. Macdonald</u> Iain A. Macdonald	Director	March 1, 2010
<u>/s/ James S. MacLeod</u> James S. MacLeod	Director	March 1, 2010
<u>/s/ Linda F. McClintock-Greco M.D.</u> Linda F. McClintock-Greco M.D.	Director	March 1, 2010
<u>/s/ William J. Meurer</u> William J. Meurer	Director	March 1, 2010
<u>/s/ James K. Murray, Jr.</u> James K. Murray, Jr.	Director	March 1, 2010
<u>/s/ W. Michael Kipphut</u> W. Michael Kipphut	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 1, 2010

Table of Contents

	Page No.
Report of Independent Registered Public Accounting Firm	55
Consolidated Balance Sheets as of December 31, 2009 and 2008	56
Consolidated Statements of Operations for the years ended December 31, 2009, 2008 and 2007	57
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2009, 2008 and 2007.....	58
Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2008 and 2007	59
Notes to Consolidated Financial Statements	61

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

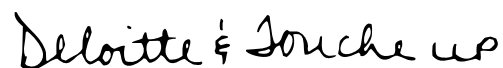
To the Board of Directors and Shareholders of
Sykes Enterprises, Incorporated
Tampa, Florida

We have audited the accompanying consolidated balance sheets of Sykes Enterprises, Incorporated and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Sykes Enterprises, Incorporated and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting.



Certified Public Accountants
Tampa, Florida

March 1, 2010

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheets

(in thousands, except per share data)

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 279,853	\$ 219,050
Restricted cash	80,342	1,134
Receivables, net	167,666	157,067
Prepaid expenses	9,419	7,084
Other current assets	10,574	12,183
Total current assets	<u>547,854</u>	<u>396,518</u>
Property and equipment, net	80,264	80,390
Goodwill	21,209	23,191
Intangibles, net	2,091	4,586
Deferred charges and other assets	21,053	24,857
	<u>\$ 672,471</u>	<u>\$ 529,542</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt	\$ 75,000	\$ -
Accounts payable	21,725	26,419
Accrued employee compensation and benefits	51,127	47,194
Income taxes payable	3,341	4,485
Deferred revenue	30,083	26,955
Other accrued expenses and current liabilities	19,142	21,057
Total current liabilities	<u>200,418</u>	<u>126,110</u>
Deferred grants	11,005	9,340
Long-term income tax liabilities	5,376	5,077
Other long-term liabilities	4,998	4,985
Total liabilities	<u>221,797</u>	<u>145,512</u>
Commitments and loss contingency (Note 21)		
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; 41,817 and 41,271 shares issued	418	413
Additional paid-in capital	166,514	158,216
Retained earnings	280,399	237,188
Accumulated other comprehensive income (loss)	7,819	(10,683)
Treasury stock at cost: 329 shares and 96 shares	(4,476)	(1,104)
Total shareholders' equity	<u>450,674</u>	<u>384,030</u>
	<u>\$ 672,471</u>	<u>\$ 529,542</u>

See accompanying notes to Consolidated Financial Statements.

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Operations

<i>(in thousands, except per share data)</i>	Years Ended December 31,		
	2009	2008	2007
Revenues	\$ 846,041	\$ 819,190	\$ 710,120
Operating expenses:			
Direct salaries and related costs	540,949	524,133	451,280
General and administrative	233,061	229,349	206,348
Provision for regulatory penalties	-	-	1,312
Impairment loss on goodwill and intangibles.....	1,908	-	-
Total operating expenses	775,918	753,482	658,940
Income from operations	70,123	65,708	51,180
Other income (expense):			
Interest income	2,309	5,448	6,257
Interest (expense)	(993)	(433)	(803)
Impairment (loss) on investment in SHPS.....	(2,089)	-	-
Other income (expense).....	(21)	11,259	(2,583)
Total other income (expense)	(794)	16,274	2,871
Income before provision for income taxes	69,329	81,982	54,051
Provision for income taxes:			
Current	15,953	20,067	14,086
Deferred	10,165	1,354	106
Total provision for income taxes	26,118	21,421	14,192
Net income	\$ 43,211	\$ 60,561	\$ 39,859
Net income per share:			
Basic	\$ 1.06	\$ 1.49	\$ 0.99
Diluted	\$ 1.05	\$ 1.48	\$ 0.98
Weighted average shares:			
Basic	40,707	40,618	40,387
Diluted	41,026	40,961	40,699

See accompanying notes to Consolidated Financial Statements.

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity

<i>(In thousands)</i>	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares Issued	Amount					
Balance at January 1, 2007	45,254	\$ 453	\$ 179,021	\$ 158,058	\$ 5,869	\$ (51,928)	\$ 291,473
Adjustment upon adoption of ASC 740-10 (Note 18)	-	-	-	(2,714)	-	-	(2,714)
Issuance of common stock	70	1	473	-	-	-	474
Stock-based compensation expense ...	-	-	4,171	-	-	-	4,171
Issuance of common stock and restricted stock under equity award plans	188	1	51	-	-	(50)	2
Issuance of common stock for business acquisition	25	-	468	-	-	-	468
Comprehensive income (loss)	-	-	-	39,859	31,588	-	71,447
Balance at December 31, 2007	45,537	455	184,184	195,203	37,457	(51,978)	365,321
Adjustment upon adoption of ASC 715-60 (Note 22)	-	-	-	(482)	-	-	(482)
Issuance of common stock	105	1	1,173	-	-	-	1,174
Stock-based compensation expense ...	-	-	4,756	-	-	-	4,756
Excess tax benefit from stock- based compensation	-	-	712	-	-	-	712
Issuance of common stock and restricted stock under equity award plans	236	3	61	-	-	(100)	(36)
Repurchase of common stock	-	-	-	-	-	(512)	(512)
Retirement of treasury stock	(4,644)	(46)	(33,346)	(18,094)	-	51,486	-
Issuance of common stock for business acquisition	37	-	676	-	-	-	676
Comprehensive income (loss)	-	-	-	60,561	(48,140)	-	12,421
Balance at December 31, 2008	41,271	413	158,216	237,188	(10,683)	(1,104)	384,030
Issuance of common stock	291	2	3,166	-	-	-	3,168
Stock-based compensation expense ...	-	-	5,158	-	-	-	5,158
Excess tax benefit from stock- based compensation	-	-	878	-	-	-	878
Issuance of common stock and restricted stock under equity award plans	255	3	(904)	-	-	(179)	(1,080)
Repurchase of common stock	-	-	-	-	-	(3,193)	(3,193)
Comprehensive income	-	-	-	43,211	18,502	-	61,713
Balance at December 31, 2009	41,817	\$ 418	\$ 166,514	\$ 280,399	\$ 7,819	\$ (4,476)	\$ 450,674

See accompanying notes to Consolidated Financial Statements.

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows

<i>(in thousands)</i>	2009	2008	2007
Cash flows from operating activities:			
Net income	\$ 43,211	\$ 60,561	\$ 39,859
Depreciation and amortization, net	28,323	27,965	25,235
Impairment losses	3,997	-	-
Unrealized foreign currency transaction losses, net	4,372	567	-
Stock-based compensation expense	5,158	4,756	4,171
Excess tax benefit from stock-based compensation	(878)	(712)	-
Deferred income tax provision	10,165	1,354	106
Net loss on disposal of property and equipment	197	322	339
(Reversals of) termination costs associated with exit activities	-	-	(54)
Bad debt expense	1,022	554	407
Write down of value added tax receivables	536	592	1,452
Unrealized (gain) loss on financial instruments, net	(437)	1,395	(542)
Amortization of discount on short-term investments	-	(173)	(292)
Amortization of actuarial (gains) losses on pension	(61)	(66)	43
Foreign exchange (gain) loss on liquidation of foreign entities	(3)	4	(13)
Release of valuation allowance on deferred tax assets	(5,807)	-	-
Amortization of unrealized (gain) on post retirement obligation	(31)	-	-
Amortization of deferred loan fees	268	-	-
Changes in assets and liabilities:			
Receivables	(9,262)	(23,705)	(23,912)
Prepaid expenses	(719)	1,360	(2,940)
Other current assets	46	(1,035)	144
Deferred charges and other assets	(2,045)	(1,671)	(28)
Accounts payable	(2,186)	4,396	118
Income taxes receivable / payable	6,462	(1,151)	2,368
Accrued employee compensation and benefits	2,654	4,596	4,170
Other accrued expenses and current liabilities	1,336	(456)	723
Deferred revenue	(679)	925	(4,247)
Other long-term liabilities	1,973	479	1,142
Net cash provided by operating activities	87,612	80,857	48,249
Cash flows from investing activities:			
Capital expenditures	(30,277)	(34,677)	(31,472)
Cash paid for business acquisitions, net of cash acquired	-	(2,400)	(1,600)
Proceeds from sale of property and equipment	216	170	128
Sale of short-term investments	-	17,535	(17,535)
Investment in restricted cash	(80,002)	(997)	(368)
Proceeds from release of restricted cash	839	847	1,600
Other	-	(129)	(130)
Net cash (used for) investing activities	(109,224)	(19,651)	(49,377)

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(continued)

<i>(in thousands)</i>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash flows from financing activities:			
Proceeds from issuance of stock	3,168	1,174	474
Excess tax benefit from stock-based compensation	878	712	-
Cash paid for repurchase of common stock	(3,193)	(512)	-
Proceeds from grants	3,491	123	248
Proceeds from short-term debt	75,000	26	242
Payments on short-term debt	-	(26)	(242)
Shares repurchased for minimum tax withholding on restricted stock	(1,080)	-	-
Cash paid for loan fees related to debt	(1,427)	-	-
Net cash provided by financing activities	<u>76,837</u>	<u>1,497</u>	<u>722</u>
Effects of exchange rates on cash	<u>5,578</u>	<u>(21,335)</u>	<u>19,508</u>
Net increase in cash and cash equivalents	<u>60,803</u>	<u>41,368</u>	<u>19,102</u>
Cash and cash equivalents – beginning	219,050	177,682	158,580
Cash and cash equivalents – ending	<u>\$ 279,853</u>	<u>\$ 219,050</u>	<u>\$ 177,682</u>

Supplemental disclosures of cash flow information:

Cash paid during period for interest	\$ 1,008	\$ 369	\$ 393
Cash paid during period for income taxes	\$ 14,660	\$ 23,635	\$ 12,148

Non-cash transactions:

Property and equipment additions in accounts payable	\$ 1,612	\$ 5,318	\$ 2,868
Unrealized gain on post retirement obligation in accumulated other comprehensive income (loss)	\$ 276	\$ -	\$ -
Issuance of common stock for business acquisition	\$ -	\$ 676	\$ 468

See accompanying notes to Consolidated Financial Statements.

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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, healthcare, technology/consumer and transportation and leisure 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 communications channels encompassing phone, e-mail, Web 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 geographic regions 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.

See Note 26 – Subsequent Event for information on the February 2, 2010 acquisition of ICT Group, Inc. (“ICT”).

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation — The 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.

Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates.

Recognition of Revenue — Revenue is recognized pursuant to Accounting Standards Codification (“ASC”) 605 “Revenue Recognition.” The Company primarily recognizes its revenue from services as those services are performed, which is based on either a per minute, per call or per transaction basis, under a fully executed contractual agreement and records reductions to revenue 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, “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. Additionally, the Company had a contract containing multiple-deliverables for customer contact management services and fulfillment services that ended during 2008. Separation criteria included whether a delivered item has value to the customer on a standalone 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 standalone 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 revenue between deliverable elements, there are no further changes in the revenue allocation. If the separation criteria are met, revenue from these services is 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 these 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.

Cash and Cash Equivalents — Cash and cash equivalents consist of cash and highly liquid short-term investments. Cash in the amount of \$279.9 million and \$219.0 million at December 31, 2009 and 2008, respectively, was primarily held in interest bearing investments, which have an average maturity of less than 90 days. Cash and cash equivalents of \$179.3 million and \$199.1 million at December 31, 2009 and 2008, respectively, were held in international operations and may be subject to additional taxes if repatriated to the United States.

Restricted Cash -- Restricted cash includes cash whereby the Company's ability to use the funds at any time is contractually limited or is generally designated for specific purposes arising out of certain contractual or other obligations.

Allowance for Doubtful Accounts — The Company maintains allowances for doubtful accounts of \$3.5 million and \$3.1 million as of December 31, 2009 and 2008, or 2.1% and 2.0% of trade account receivables, respectively, for estimated losses arising from the inability of its customers to make required payments. The Company's 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 the Company's estimate of the allowance for doubtful accounts will change if the financial condition of the Company's customers were to deteriorate, resulting in a reduced ability to make payments. Based on a review of the trade accounts receivables balances and activity, the Company increased the allowance for doubtful accounts during 2009 and 2008 by \$1.0 million and \$0.6 million, respectively.

Property and Equipment — Property and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets. Improvements to leased premises are amortized over the shorter of the related lease term or the estimated useful lives of the improvements. Cost and related accumulated depreciation on assets retired or disposed of are removed from the accounts and any resulting gains or losses are credited or charged to income. Depreciation expense was \$28.5 million, \$27.6 million and \$24.8 million for 2009, 2008 and 2007, respectively. Property and equipment includes \$1.6 million, \$5.3 million and \$2.9 million of additions included in accounts payable at December 31, 2009, 2008 and 2007, respectively. Accordingly, non-cash transactions have been excluded from the accompanying Consolidated Statements of Cash Flows for 2009, 2008 and 2007, respectively.

The Company capitalizes certain costs incurred to internally develop software upon the establishment of technological feasibility. Costs incurred prior to the establishment of technological feasibility are expensed as incurred. Capitalized internally developed software costs, net of accumulated amortization, were \$0.3 million and \$0.5 million at December 31, 2009 and 2008, respectively.

The carrying value of property and equipment to be held and used is evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with ASC 360 "Property, Plant and Equipment." For purposes of recognition and measurement of an impairment loss, assets are grouped at the lowest levels for which there are identifiable cash flows (the "reporting unit"). An asset is considered to be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition does not exceed its carrying amount. The amount of the impairment loss, if any, is measured as the amount by which the carrying value of the asset exceeds its estimated fair value, which is generally determined based on appraisals or sales prices of comparable assets. Occasionally, the Company redeploys property and equipment from under-utilized centers to other locations to improve capacity utilization if it is determined that the related undiscounted future cash flows in the under-utilized centers would not be sufficient to recover the carrying amount of these assets. The Company determined that its property and equipment was not impaired as of December 31, 2009.

Rent Expense —The Company has entered into several operating lease agreements, some of which contain provisions for future rent increases, rent free periods, or periods in which rent payments are reduced. The total amount of the rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease in accordance with ASC 840 (“ASC 840”) “Leases.”

Investment in SHPS — The Company held a noncontrolling interest in SHPS, Inc. (“SHPS”), which was accounted for at cost of approximately \$2.1 million as of December 31, 2008 and was included in “Deferred charges and other assets” in the accompanying Consolidated Balance Sheet as of December 31, 2008. In June 2009, the Company received notice from SHPS that the shareholders of SHPS had approved a merger agreement between SHPS and SHPS Acquisition, Inc., pursuant to which the common stock of SHPS, including the common stock owned by the Company, would be converted into the right to receive \$0.000001 per share in cash. SHPS informed the Company that it believed the estimated fair value of the SHPS common stock to be equal to such per share amount. As a result of this transaction and evaluation of the Company’s legal options, the Company believed it was more likely than not that it would not be able to recover the \$2.1 million carrying value of the investment in SHPS. Therefore, due to the decline in value that is other than temporary, management recorded a non-cash impairment loss of \$2.1 million included in “Impairment loss on investment in SHPS” during the second quarter ended June 30, 2009. Subsequent to the recording of the impairment loss, the Company liquidated its noncontrolling interest in SHPS by converting its SHPS common stock into cash for \$0.000001 per share during the quarter ended September 30, 2009.

Investments Held in Rabbi Trust — Securities held in a rabbi trust for a supplemental nonqualified executive retirement program, as more fully described in Note 23 - Stock-Based Compensation, include the fair market value of debt and equity securities held in various mutual funds. The fair market value of these mutual funds, classified as trading securities in accordance with ASC 320 (“ASC 320”) “Investment – Debt and Equity Securities”, is determined by quoted market prices and is adjusted to the current market price at the end of each reporting period. The net realized and unrealized gains and losses on trading securities are included in “Other income and expense” in the accompanying Consolidated Statements of Operations. For purposes of determining realized gains and losses, the cost of securities sold is based on specific identification.

Short-term Investments — Short-term investments are investments that are highly liquid, held to maturity according to the provisions of ASC 320 (“ASC 320”) “Investment – Debt and Equity Securities”, and have terms greater than three months, but less than one year, at the time of acquisition. At December 31, 2009 and 2008, the Company held no short term investments.

Goodwill — The Company accounts for goodwill and other intangible assets under ASC 350 (“ASC 350”) “Intangibles – Goodwill and Other.” 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. Under ASC 350, the carrying value of assets is calculated at the lowest levels for which there are identifiable cash flows (the “reporting unit”). If the fair value of the reporting unit is less than its carrying value, 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. During the second quarter of 2009, based on the presence of certain circumstances, the Company recorded an impairment loss on the goodwill related to the March 2005 acquisition of Kelly, Luttmer & Associates Limited (“KLA”). See Note 3 – Goodwill and Intangible Assets for further information.

During the third quarter of 2009, the Company completed its annual goodwill impairment test, which included the consideration of recent economic developments, and determined that the carrying amount of goodwill was not impaired as of September 30, 2009. The Company expects to receive future benefits from the remaining previously acquired goodwill over an indefinite period of time.

Intangible Assets — Intangible assets, primarily customer relationships, existing technologies and covenants not to compete, are amortized using the straight-line method over their estimated useful lives which approximates 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 an 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. During 2009, based on changes in circumstances, the Company recorded an impairment loss on intangible assets related to the KLA acquisition mentioned above. See Note 3 – Goodwill and Intangible Assets for further information.

Value Added Tax Receivables — The Philippine operations are subject to Value Added Tax, or VAT, which is usually applied to all goods and services purchased throughout the Philippines. Upon validation and certification of the VAT receivables by the Philippine government, the VAT receivables are held for sale through third-party brokers. The Company sells VAT credits to others due to its current tax holiday status in the Philippines and resulting inability to fully utilize these credits. This process through collection typically takes three to five years. The VAT receivables balance, which is recorded at net realizable value, is \$6.2 million and \$7.5 million as of December 31, 2009 and 2008, respectively. As of December 31, 2009 and 2008, the VAT receivables of \$5.6 million and \$4.9 million, respectively, are included in “Deferred Charges and Other Assets”, \$0.0 million and \$1.1 million, respectively, are included in “Other Current Assets” and \$0.6 million and \$1.5 million, respectively, are included in “Receivables” in the accompanying Consolidated Balance Sheets. During the years ended December 31, 2009, 2008 and 2007, the Company wrote down the VAT receivables balance by \$0.5 million, \$0.6 million, and \$1.4 million, respectively.

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 criteria of ASC 740.

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 Consolidated Financial Statements.

Self-Insurance Programs — The Company self-insures for certain levels of workers’ compensation. Estimated costs of this self-insurance program are accrued at the projected settlements for known and anticipated claims. The self-insurance liabilities total \$0.3 million and \$0.4 million as of December 31, 2009 and 2008, respectively. As of December 31, 2009 and 2008, self-insurance liabilities of \$0.1 million and \$0.2 million, respectively, are included in “Accrued employee compensation and benefits”, and \$0.2 million and \$0.2 million, respectively, are included in “Other long-term liabilities” in the accompanying Consolidated Balance Sheets.

Deferred Grants — Recognition of income associated with grants for land and the acquisition of property, buildings and equipment is deferred until after the completion and occupancy of the building and title has passed to the Company, and the funds have been released from escrow. The deferred amounts for both land and building are amortized and recognized as a reduction of depreciation expense included within general and administrative costs over the corresponding useful lives of the related assets. Amounts received in excess of the cost of the building are allocated to the cost of equipment and, only after the grants are released from escrow, recognized as a reduction of depreciation expense over the weighted average useful life of the related equipment, which approximates five years. Amortization of the deferred grants that is included as a reduction to “General and administrative” costs in the accompanying Consolidated Statements of Operations was approximately \$1.2 million, \$1.1 million and \$1.1 million for the years ended December 31, 2009, 2008 and 2007, respectively. 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.

In addition, the Company receives grants from a government entity in Ireland as an incentive to create and maintain permanent employment positions for a period of five years. 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 agreement. Accordingly, the grant monies received are deferred and amortized using the proportionate performance model over the five-year employment period. Amortization of the employment deferred grants, recorded as a reduction to “General and administrative” costs in the accompanying Consolidated Statements of Operations, was \$0.1 million, \$0.2 million and \$0.1 million for 2009, 2008 and 2007, respectively.

Deferred Revenue — The Company receives up-front fees in connection with certain contracts. The deferred revenue is earned over the service periods of the respective contracts, which range from six months to seven years.

Deferred revenue included in current liabilities in the accompanying Consolidated Balance Sheets includes the up-front fees associated with services to be provided over the next ensuing twelve month period and the up-front fees associated with services to be provided over multiple years in connection with contracts that contain cancellation and refund provisions, whereby the manufacturers or customers can terminate the contracts and demand pro-rata refunds of the up-front fees with short notice. Deferred revenue included in current liabilities in the accompanying Consolidated Balance Sheets also includes estimated penalties and holdbacks for failure to meet specified minimum service levels in certain contracts and other performance based contingencies.

Stock-Based Compensation — The Company has three stock-based compensation plans: the 2001 Equity Incentive Plan (for employees and certain non-employees), the 2004 Non-Employee Director Fee Plan (for non-employee directors), both approved by the shareholders, and the Deferred Compensation Plan (for certain eligible employees). All of these plans are discussed more fully in Note 23 – 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 income statement 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 measured to fair-value at each balance sheet date until the award is 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 Trust, Short-term Debt and Accounts Payable. The carrying values reported in the balance sheet for cash, short-term and other investments, investments held in rabbi trust, short-term debt and accounts payable approximate their fair values.
- Forward currency forward contracts. Forward currency forward contracts are recognized in the balance sheet 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.
- Long-Term Debt. The fair value of long-term debt, including the current portion thereof, is estimated based on the quoted market price for the same or similar types of borrowing arrangements. .

Fair Value Measurements - Effective January 1, 2008, the Company adopted the provisions of ASC 820 (“ASC 820”) “*Fair Value Measurements and Disclosures*” and ASC 825 (“ASC 825”) “*Financial Instruments*”. ASC 820, which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. ASC 820-10-20 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

ASC 825 permits an entity to measure certain financial assets and financial liabilities at fair value with changes in fair value recognized in earnings each period. Since the date of adoption on January 1, 2008, 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.

A description of the Company’s policies regarding fair value measurement 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 - The Company enters into foreign currency forward contracts over the counter and values such contracts using a discounted cash flows model. The key inputs include forward foreign currency exchange rates and interest rates, adjusted for credit risk. The item is classified in Level 2 of the fair value hierarchy.

Investments Held in Rabbi Trust - The Company maintains a non-qualified deferred compensation plan structured as a rabbi trust for certain eligible employees. The investment assets of the rabbi trust are valued using quoted market prices multiplied by the number of shares held in the trust, which are classified in Level 1 of the fair value hierarchy. For additional information about the deferred compensation plan, refer to Notes 9 and 23.

Guaranteed Investment Certificates - The Company's guaranteed investment certificates have a variable interest rate linked to the prime rate and approximates fair value due to the automatic ability to reprice with changes in the market; such items are classified in Level 2 of the fair value hierarchy.

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)", 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 determining net income. Such gains and losses are included in "Other income (expense)" in the accompanying 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 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. Upon proper qualification, these contracts are accounted for as cash-flow hedges, as defined by ASC 815. 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. In using derivative financial instruments to hedge exposures to changes in exchange rates, the Company exposes itself to counterparty credit risk.

All derivatives, including foreign currency forward contracts, are recognized in the balance sheet at fair value. Fair values for the Company's derivative financial instruments are 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. On the date the derivative contract is entered into, the Company determines whether the derivative contract should be designated as a cash flow hedge. Changes in the fair value of derivatives that are highly effective and designated as cash flow hedges are recorded in "Accumulated other comprehensive income (loss)", 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". Cash flows from the derivative contracts are classified within "Cash flows from operating activities" in the accompanying Consolidated Statement of Cash Flows. Ineffectiveness is measured based on the change in fair value of the forward contracts 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".

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. 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 in offsetting changes in cash flows of hedged items 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 December 31, 2009, 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 on its operating results and cash flows from fluctuations caused by volatility in currency exchange rates. See Note 8 – Financial Derivatives for further information on financial derivative instruments.

Recent Accounting Pronouncements - In September 2006, the Financial Accounting Standards Board ("FASB") issued ASC 820 ("ASC 820") "*Fair Value Measurements and Disclosures*", which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The Company adopted the provisions of ASC 820 on January 1, 2008. The adoption of this standard did not have a material impact on the Company's financial condition, results of operations or cash flows. See Note 2 – Fair Value for further information.

In March 2007, the Emerging Issues Task Force ("EITF") reached a consensus on ASC 715-60 ("ASC 715-60") "*Topic 715 Compensation – Retirement Benefits - Subtopic 60 Defined Benefits Plans – Other Postretirement*". ASC 715-60 provides guidance on the employer's recognition of assets, liabilities and related compensation costs for collateral assignment split-dollar life insurance arrangements that provide a benefit to an employee that extends into postretirement periods. The Company adopted the provisions of ASC 715-60 on January 1, 2008. As a result of the implementation of ASC 715-60, the Company recognized a \$0.5 million liability for a postretirement benefit obligation related to a split dollar arrangement on behalf of its founder and former Chairman and Chief Executive Officer which was accounted for as a reduction to the January 1, 2008 balance of retained earnings. See Note 22 – Defined Benefit Pension Plan and Post-Retirement Benefits for further information.

In December 2007, the FASB issued ASC 805 ("ASC 805") "*Business Combinations*" and modifications to ASC 810 ("ASC 810") "*Consolidation*". ASC 805 changes how business acquisitions are accounted for and impacts financial statements both on the acquisition date and in subsequent periods. ASC 810 includes changes to the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of shareholders' equity. On January 1, 2009, the Company adopted the provisions of ASC 805 and the modifications to ASC 810, relating to noncontrolling interests. ASC 805 will be applied prospectively for all business combinations entered into after January 1, 2009, the date of adoption. See Note 3 – Goodwill and Intangible Assets for further information. The modified provisions of ASC 810 will also be applied prospectively to all noncontrolling interests, except for the presentation and disclosure provisions which are applied retrospectively to any noncontrolling interests that arose before January 1, 2009. The adoption of these standards did not have a material impact on the Company's financial condition, results of operations or cash flows.

In March 2008, the FASB issued modifications to ASC 815 (“ASC 815”) “*Derivatives and Hedging*”, requiring increased qualitative, quantitative, and credit-risk disclosures about an entity’s derivative instruments and hedging activities. On January 1, 2009, the Company adopted the modifications to ASC 815. The adoption of this standard did not have a material impact on the Company’s financial condition, results of operations or cash flows. See Note 8 – Financial Derivatives for further information.

In April 2008, the FASB issued modifications to ASC 350 (“ASC 350”) “*Intangibles – Goodwill and Other*”. The modifications to ASC 350 amended the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets. This new guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. On January 1, 2009, the Company adopted the modifications to ASC 350. The adoption of this standard did not have a material impact on the Company’s financial condition, results of operations or cash flows.

In December 2008, the FASB issued modifications to ASC 715-20 (“ASC 715-20”) “*Topic 715 Compensation – Retirement Benefits - Subtopic 20 Defined Benefits Plans - General*”, which provides additional guidance on an employers’ disclosures about plan assets of a defined benefit pension or other postretirement plan. The modifications to ASC 715-20 are effective for financial statements issued for fiscal years ending after December 15, 2009. The adoption of the modifications to ASC 715-20 did not have a material impact on the Company’s financial condition, results of operations or cash flows. See Note 22 – Defined Benefit Pension Plan and Post-Retirement Benefits for further information.

In April 2009, the FASB issued modifications to ASC 805-20 (“ASC 805-20”) “*Topic 805 Business Combinations – Subtopic 20 Identifiable Assets and Liabilities, and Any Noncontrolling Interests*,” which requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably estimated. If fair value of such an asset or liability cannot be reasonably estimated, the asset or liability would generally be recognized in accordance with ASC 450 (“ASC 450”) “*Contingencies*”. Further, ASC 805-20 requires that a systematic and rational basis for subsequently measuring and accounting for the assets or liabilities arising from contingencies be developed based on their nature. The modifications to ASC 805-20 are effective for assets or liabilities arising from contingencies in business combinations whose acquisition date is on or after January 1, 2009. The adoption of these modifications to ASC 805-20 did not have a material impact on the Company’s financial condition, results of operations or cash flows.

In April 2009, the FASB issued modifications to ASC 825 (“ASC 825”) “*Financial Instruments*”, to extend the annual disclosures about fair value of financial instruments to interim reporting periods. The modifications to ASC 825 are effective for interim reporting periods ending after June 15, 2009, and were adopted on April 1, 2009. The adoption of these modifications to ASC 825 did not have a material impact on the Company’s financial condition, results of operations or cash flows. See Note 1- Basis of Presentation and Summary of Significant Accounting Policies – Fair Value Measurements for further information.

In April 2009, the FASB issued modifications to ASC 820. The modifications to ASC 820 provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability. The modifications to ASC 820 also provide guidance on circumstances that may indicate a transaction is not orderly (that is, distressed or forced). The modifications to ASC 820 are effective on a prospective basis for interim and annual reporting periods ending after June 15, 2009, and were adopted on April 1, 2009. The adoption of these modifications to ASC 820 did not have a material impact on the Company’s financial condition, results of operations or cash flows.

In April 2009, the FASB issued modifications to ASC 320 (“ASC 320”) “*Investments—Debt and Equity Securities*”, which amends the recognition and presentation of other-than-temporary impairments for debt securities and provides new disclosure requirements for both debt and equity securities. Upon adoption of the modifications to ASC 320, the non-credit component of previously recognized other-than-temporary impairment on debt securities held on that date is reclassified from Retained Earnings to Accumulated Other Comprehensive Income and reported as a cumulative-effect adjustment as of the beginning of the period of adoption, if the entity does not intend to sell the security and it is not more likely than not that it will be required to sell the security before recovery of its amortized cost basis. The modifications to ASC 320 are effective for interim and annual reporting periods ending after June 15, 2009, and were adopted on April 1, 2009. The adoption of these ASC 320 modifications did not have a material impact on the Company’s financial condition, results of operations or cash flows. See Note 9 – Investments Held in Rabbi Trust for further information.

In May 2009, the FASB issued ASC 855 (“ASC 855”) “*Subsequent Events*”, which establishes general standards of accounting for, and disclosures of, events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. ASC 855 is effective on a prospective basis for interim or annual periods ending after June 15, 2009, and was adopted on April 1, 2009. This standard did not have a material impact on the Company’s financial condition, results of operations and cash flows.

In June 2009, the FASB issued ASC 105 (“ASC 105”) “*Generally Accepted Accounting Principles*”. ASC 105 states that the FASB Accounting Standards Codification (“Codification”) will become the single source of authoritative U.S. generally accepted accounting principles (“GAAP”) recognized by the FASB. The Codification and all of its contents, which changes the referencing of financial standards, will carry the same level of authority. In other words, the GAAP hierarchy will be modified to include only two levels of GAAP, authoritative and nonauthoritative. ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009, and was adopted July 1, 2009. Therefore, all references to GAAP use the new Codification numbering system prescribed by the FASB. As the Codification is not intended to change or alter existing GAAP, it did not have an impact on the Company’s financial condition, results of operations and cash flows.

In August 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-05 (“ASU 2009-05”), “*Measuring Liabilities at Fair Value*”, which provides clarification for the fair value measurement of liabilities in circumstances in which a quoted price in an active market for an identical liability is not available. ASU 2009-05 is effective for the first interim period ending after December 15, 2009, and was adopted on October 1, 2009. This standard did not have a material impact on the Company’s financial condition, results of operations or cash flows.

In September 2009, the FASB issued ASU No. 2009-12 (“ASU 2009-12”), “*Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*”, which provides guidance on measuring the fair value of certain alternative investments. ASU 2009-12 amends ASC 820 to offer investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value per share. ASU 2009-12 is effective for interim and annual periods ending after December 15, 2009, and was adopted on October 1, 2009. This standard did not have a material impact on the Company’s financial condition, results of operations or cash flows.

In October 2009, the FASB issued ASU No. 2009-13 (“ASU 2009-13”), “*Multiple-Deliverable Revenue Arrangements*”, which amends ASC 605, “*Revenue Recognition*”. ASU 2009-13 provides guidance related to the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting and modifies the manner in which the transaction consideration is allocated across the individual deliverables. Also, the standard expands the disclosure requirements for revenue arrangements with multiple deliverables. ASU 2009-13 is effective for fiscal years beginning on or after June 15, 2010. The Company is currently evaluating the impact of adopting this standard on its financial condition, results of operations and cash flows.

Note 2. Fair Value

The Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 subject to the requirements of ASC 820 consist of the following (in thousands):

	Fair Value Measurements at December 31, 2009 Using:			
	Balance at December 31, 2009	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	(1) \$ 234,659	\$ 234,659	\$ -	\$ -
Foreign Currency Forward Contracts	(2) 2,866	-	2,866	-
Investments held in Rabbi Trust for the Deferred Compensation Plan	(3) 2,437	2,437	-	-
Guaranteed Investment Certificates	(4) 46	-	46	-
Total Assets	\$ 240,008	\$ 237,096	\$ 2,912	\$ -
Liabilities:				
Foreign Currency Forward Contracts	(5) \$ 326	\$ -	\$ 326	\$ -
Total Liabilities	\$ 326	\$ -	\$ 326	\$ -

(1) Included \$80.3 million in "Restricted cash", \$153.7 million in "Cash and cash equivalents" and \$0.7 million in "Deferred charges and other assets" in the accompanying Consolidated Balance Sheet.

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

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

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

(5) Included in "Other accrued expense and current liabilities" in the accompanying Consolidated Balance Sheet. See Note 15.

The Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2008 subject to the requirements of ASC 820 consist of the following (in thousands):

	Fair Value Measurements at December 31, 2008 Using:			
	Balance at December 31, 2008	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	(1) \$ 111,423	\$ 111,423	\$ -	\$ -
Investments held in Rabbi Trust for the Deferred Compensation Plan	(2) 1,386	1,386	-	-
Guaranteed Investment Certificates	(3) 858	-	858	-
Total Assets	\$ 113,667	\$ 112,809	\$ 858	\$ -
Liabilities:				
Foreign Currency Forward Contracts	(4) \$ 11,654	\$ -	\$ 11,654	\$ -
Total Liabilities	\$ 11,654	\$ -	\$ 11,654	\$ -

(1) Included \$110.7 million in "Cash and cash equivalents" and \$0.7 million in "Deferred charges and other assets" in the accompanying Consolidated Balance Sheet.

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

(3) Included \$0.1 million in "Deferred charges and other assets" and \$0.8 million classified as "Restricted cash" in the accompanying Consolidated Balance Sheet.

(4) Included in "Other accrued expense and current liabilities" in the accompanying Consolidated Balance Sheet. See Note 15.

Certain assets, under certain conditions, are measured at fair value on a nonrecurring basis utilizing Level 3 inputs as described in Note 1, like those associated with acquired businesses, including goodwill and other intangible assets, investments at cost and other long-lived assets. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if one or more of these assets are determined to be impaired. The Company's assets measured at fair value on a nonrecurring basis (no liabilities) utilizing Level 3 inputs as described in Note 1 as of December 31, 2009 subject to the requirements of ASC 820 consist of the following (in thousands):

	Balance at December 31, 2009	For the Year Ended December 31, 2009 Total Gains (Losses)
Assets:		
KLA assets:		
Goodwill	\$ -	\$ (629)
Intangibles, net	-	(1,279)
	-	(1,908)
Investment in SHPS ⁽¹⁾ .	-	(2,089)
Total Assets	\$ -	\$ (3,997)

⁽¹⁾ See Note 1, Investment in SHPS, for the reason for the fair value measurement, description of the inputs and the information used to develop the inputs.

On June 30, 2009, the Company committed to a plan to sell or close its Employee Assistance and Occupational Health operations in Calgary, Alberta, Canada, which was originally acquired on March 1, 2005 when the Company purchased the shares of KLA. As a result of KLA's actual and forecasted operating results for 2009, deterioration of the KLA customer base and loss of key employees, the Company determined to sell or close the Calgary operations on or before December 31, 2009 for less than its current carrying value. This decline in value was other than temporary, therefore, the Company recorded a non-cash impairment loss of \$1.0 million related to intangible assets (primarily customer relationships) and \$0.6 million related to goodwill included in "Impairment loss on goodwill and intangibles" during the three months ended June 30, 2009. Subsequently, the Company decided to close the Calgary operations and wrote off the remaining balance of the intangible assets of \$0.3 million during the three months ended September 30, 2009. The accompanying Consolidated Statements of Operations for 2009 includes "Impairment loss on goodwill and intangibles" of \$1.9 million related to the Calgary operations (none in 2008). In December 2009, the Company accrued \$0.7 million related to the lease obligation net of the underlying sub-lease amounts, of which \$0.3 million and \$0.4 million were included in "Other accrued expenses and current liabilities" and "Other long-term liabilities", respectively, in the accompanying Consolidated Balance Sheet as of December 31, 2009. This lease obligation is expected to be paid through the remainder of the lease term ending July 2012. In addition, in 2009, the Company paid \$0.1 million in one-time employee termination benefits. Income (loss) from operations for KLA for 2009 and 2008 were not material to the consolidated income from operations; therefore, the results of operations of KLA have not been presented as discontinued operations in the accompanying Consolidated Statement of Operations.

Note 3. Goodwill and Intangible Assets

On July 3, 2006, the Company completed the acquisition of all the outstanding shares of capital stock of Centro Interacción Multimedia, S.A. ("Apex"), an established customer contact management solutions and services provider headquartered in the City of Cordoba, Argentina. Apex serves clients in Argentina, Mexico and the United States. The results of operations of Apex have been included in the Company's results of operations for its America's segment beginning in the third quarter of 2006. Client programs range from in-bound customer care and help-desk/technical support to out-bound sales and cross selling within the business-to-consumer and certain business-to-business segments for Internet Service Providers, wireless carriers and credit card companies. The

Company acquired these operations to broaden its operations in a growing market in the communications and financial services verticals, which resulted in the Company paying a premium for Apex resulting in recognition of goodwill. The purchase price for the shares was \$27.4 million less \$0.4 million, representing Apex's obligations on certain of its capital leases as of the closing date, for a net purchase price of \$27.0 million, eighty percent of which (\$21.6 million) was paid in cash from offshore operations and twenty percent of which (\$5.4 million) was paid by the delivery of 330,992 shares of the common stock of the Company, valued at \$16.324 per share. Of the net purchase price of \$27.0 million, \$5.0 million was paid to an escrow account (eighty percent in cash and twenty percent in common stock) to secure the sellers' indemnification obligations and to provide for a holdback of the purchase price until amounts billed by Apex to a major client reach established targets. In June 2007, the Company settled the contingency related to the holdback of a portion of the purchase price based upon amounts billed to a major client as amounts billed by Apex to the client reached the established targets. This settlement resulted in a payout of \$1.6 million in cash and \$0.5 million in common stock from the escrow account and an increase in the recorded amount of goodwill of \$2.1 million. In July 2008, the Company settled the contingency related to the holdback of a portion of the purchase price in the Apex transaction related to representations and warranties. This settlement resulted in a payout of \$2.4 million in cash and \$0.7 million in common stock from the escrow account and an increase in the recorded amount of goodwill of \$3.1 million.

The Company allocated the net purchase price of \$27.0 million less the \$5.0 million contingent purchase price held in escrow plus direct acquisition costs of \$0.6 million, or \$22.6 million, to the tangible assets, liabilities and intangible purchased assets based on their estimated fair values in accordance with SFAS No. 141, "*Business Combinations*." The excess net purchase price over these fair values is recognized as goodwill, which is not expected to be deductible for tax purposes. These fair values are based on management's estimates and assumptions, including variations of the income approach, the market approach and the cost approach, resulting in a purchase price allocation to net assets of \$4.2 million, to goodwill of \$14.4 million, to a deferred tax liability of \$2.9 million and to purchased intangible assets of \$6.9 million as detailed in the following table (in thousands):

<i>Purchased Intangible Assets</i>	<i>Amount Assigned</i>	<i>Weighted Average Amortization Period (years)</i>
Customer relationships	\$ 5,500	6
Trade name	1,000	5
Non-compete agreements	200	2
Other	165	3
Total.....	<u>\$ 6,865</u>	6

The purchase price allocation for the Apex acquisition resulted in the following condensed balance sheet as of the acquisition date (in thousands):

Cash and cash equivalents	\$ 788
Receivables, net and other current assets.....	3,546
Total current assets	4,334
Property and equipment, net	4,718
Goodwill	14,392
Intangibles	6,865
Other long-term assets	133
	<u>\$ 30,442</u>
Current liabilities	\$ 4,791
Long-term deferred tax liability.....	2,903
Other long-term liabilities.....	140
Total liabilities	7,834
Shareholders' equity	22,608
	<u>\$ 30,442</u>

Amortization expense, related to the purchased intangible assets resulting from the acquisitions (other than goodwill), of \$1.0 million, \$1.4 million and \$1.5 million for the years ended December 31, 2009, 2008 and 2007 respectively, is included in “General and administrative” costs in the accompanying Consolidated Statements of Operations.

The following table presents the Company’s purchased intangible assets (in thousands) as of December 31, 2009:

	Gross Intangibles	Accumulated Amortization	Net Intangibles	Weighted Average Amortization Period (years)
Customer relationships	\$ 4,437	\$ 2,588	\$ 1,849	6
Trade name	807	565	242	5
Non-compete agreement	161	161	-	2
Other	133	133	-	3
	<u>\$ 5,538</u>	<u>\$ 3,447</u>	<u>\$ 2,091</u>	6

The following table presents the Company’s purchased intangible assets (in thousands) as of December 31, 2008:

	Gross Intangibles	Accumulated Amortization	Net Intangibles	Weighted Average Amortization Period (years)
Customer relationships	\$ 6,711	\$ 2,596	\$ 4,115	7
Trade name	892	446	446	5
Non-compete agreement	610	610	-	2
Other	237	212	25	3
	<u>\$ 8,450</u>	<u>\$ 3,864</u>	<u>\$ 4,586</u>	6

The Company’s estimated future amortization expense for the five succeeding years relating to the purchased intangible assets resulting from acquisitions completed prior to December 31, 2009, is as follows (in thousands):

Years Ending December 31,	Amount
2010	\$ 901
2011	\$ 820
2012	\$ 370
2013	\$ -
2014	\$ -

Changes in goodwill, within the America's segment, consist of the following (in thousands):

<u>Years Ending December 31,</u>	<u>Gross Amount</u>	<u>Accumulated Impairment Losses</u>	<u>Net Amount</u>
Balance at December 31, 2007	\$ 22,468	\$ -	\$ 22,468
Contingent payment for Apex acquisition.....	3,076	-	3,076
Foreign currency translation	(2,353)	-	(2,353)
Balance at December 31, 2008	23,191	-	23,191
Impairment on KLA goodwill (see Note 2).....	-	(629)	(629)
Foreign currency translation	(1,353)	-	(1,353)
Balance at December 31, 2009	<u>\$ 21,838</u>	<u>\$ (629)</u>	<u>\$ 21,209</u>

Note 4. Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade receivables. The Company's credit concentrations are limited due to the wide variety of customers and markets in which the Company's services are sold. See Note 8 - Financial Derivatives, for a discussion of the Company's credit risk relating to financial derivative instruments, and Note 24 - Segments and Geographic Information, for a discussion of the Company's customer concentration.

Note 5. Receivables

Receivables consist of the following (in thousands):

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Trade accounts receivable	\$ 169,049	\$ 155,765
Income taxes receivable	167	1,245
Other	1,980	3,128
	<u>171,196</u>	<u>160,138</u>
Less allowance for doubtful accounts	3,530	3,071
	<u>\$ 167,666</u>	<u>\$ 157,067</u>

Note 6. Prepaid Expenses

Prepaid expenses consist of the following (in thousands):

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Inventory, at cost	\$ 1,205	\$ 1,604
Prepaid rent	1,470	1,217
Prepaid maintenance	2,688	1,942
Prepaid insurance	1,112	640
Prepaid other	2,944	1,681
	<u>\$ 9,419</u>	<u>\$ 7,084</u>

Note 7. Other Current Assets

Other current assets consist of the following (in thousands):

	December 31, 2009	December 31, 2008
Deferred tax assets (Note 18).....	\$ 3,126	\$ 8,199
Financial derivatives (Note 8).....	2,866	-
Investments held in Rabbi Trust (Note 9).....	2,437	1,386
Value added tax certificates (Note 1).....	-	1,121
Other current assets	2,145	1,477
	<u>\$ 10,574</u>	<u>\$ 12,183</u>

Note 8. Financial Derivatives

The Company had derivative assets and liabilities relating to outstanding forward contracts, designated as cash flow hedges, as defined under ASC 815, consisting of Philippine peso (“PHP”) contracts, maturing within 12 months with a notional value of \$39.4 million and \$107.0 million as of December 31, 2009 and 2008, respectively, and Canadian dollar contracts maturing within 6 months with a notional value of \$3.8 million as of December 31, 2009 (none in 2008). 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 Company had a total of \$2.0 million and \$(7.8) million of deferred gains (losses), net of taxes of \$0.8 million and \$(3.0) million, on these derivative instruments as of December 31, 2009 and 2008, respectively, recorded in “Accumulated other comprehensive income (loss)” (“AOCI”) in the accompanying Consolidated Balance Sheets. The deferred gains expected to be reclassified to “Revenues” from AOCI during the next twelve months is \$2.9 million. However, this amount and other future reclassifications from AOCI will fluctuate with movements in the underlying market price of the forward contracts.

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 on its operating results and cash flows from fluctuations caused by volatility in currency exchange rates, primarily related to intercompany loan payments. During 2009, the Company entered into a forward contract to sell 12.5 million Canadian dollars at fixed prices of Euro 8.1 million, which will settle in August 2010. During 2008, the Company entered into a forward contract to sell 25.0 million Canadian dollars at fixed prices of Euro 14.6 million, which settled in December 2009. Additionally, during 2009, the Company entered into and settled forward contracts to sell \$0.9 million U.S. dollars at fixed prices of 1.1 million Canadian dollars and to sell PHP 175.0 million at fixed prices of Euro 2.8 million. See Note 1 for further information on foreign currency and derivative instruments.

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

<u>As of December 31, 2009</u>		<u>As of December 31, 2008</u>	
<u>Foreign Currency</u>	<u>Currency Denomination</u>	<u>Foreign Currency</u>	<u>Currency Denomination</u>
U.S. Dollars	Philippine Pesos 1,970,189	U.S. Dollars	Philippine Pesos 4,645,715
Canadian Dollars	Euros 8,066	Canadian Dollars	Euros 14,641
U.S. Dollars	Canadian Dollars 4,050		

In January 2010 to hedge intercompany forecasted cash outflows, the Company entered into forward contracts to sell U.S. dollars of \$5.8 million at fixed prices of 6.1 million Canadian dollars through December 2010 and to sell PHP 350 million at fixed prices of Euro 5.2 million through June 2010.

As of December 31, 2009, 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 \$2.9 million.

The following tables present the fair value of the Company's derivative instruments as of December 31, 2009 and 2008 included in the accompanying Consolidated Balance Sheets (in thousands):

Derivative Assets						
December 31, 2009						
Balance Sheet		December 31, 2008				
Location	Fair Value	Balance Sheet	Fair Value			
Location	Fair Value	Location	Fair Value			
Derivatives designated as hedging instruments under ASC 815:						
Foreign currency forward contracts	Other current assets	\$	2,866	-	\$	-
Total derivative assets		\$	2,866	\$	-	

Derivative Liabilities						
December 31, 2009						
December 31, 2009		December 31, 2008				
Location	Fair Value	Location	Fair Value			
Location	Fair Value	Location	Fair Value			
Derivatives designated as hedging instruments under ASC 815:						
Foreign currency forward contracts	Other accrued expenses and current liabilities	\$	-	Other accrued expenses and current liabilities	\$	11,377
Derivatives not designated as hedging instruments under ASC 815⁽¹⁾:						
Foreign currency forward contracts	Other accrued expenses and current liabilities	\$	326	Other accrued expenses and current liabilities	\$	277
Total derivative liabilities		\$	326	\$	11,654	

⁽¹⁾ See Note 1 for additional information on the Company's purpose for entering into derivatives not designated as hedging instruments and its overall risk management strategies.

The following tables present the effect of the Company's derivative instruments for the 2009 and 2008 in the accompanying Consolidated Financial Statements (in thousands):

Derivatives in ASC 815 cash flow hedging relationships:	Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)		Statement of Operations Location	Gain (Loss) Reclassified From Accumulated AOCI Into Income (Effective Portion)		Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	
	December 31,			December 31,		December 31,	
	2009	2008		2009	2008	2009	2008
Foreign currency forward contracts	\$ 5,082	\$ (21,247)	Revenues	\$ (9,257)	\$ (1,896)	\$ -	\$ (494)
	<u>\$ 5,082</u>	<u>\$ (21,247)</u>		<u>\$ (9,257)</u>	<u>\$ (1,896)</u>	<u>\$ -</u>	<u>\$ (494)</u>

Derivatives not designated as hedging instruments under ASC 815:	Statement of Operations Location	Gain (Loss) Recognized in Income on Derivative	
		December 31,	
		2009	2008
Foreign currency forward contracts	Revenues	\$ (53)	\$ 6
	Other income		
Foreign currency forward contracts	and (expense)	<u>(1,928)</u>	<u>(267)</u>
		<u>\$ (1,981)</u>	<u>\$ (261)</u>

Note 9. Investments Held in Rabbi Trust

The Company's Investments Held in Rabbi Trust, classified as trading securities and included in "Other current assets" in the accompanying Consolidated Balance Sheets, at fair value, consist of the following (in thousands):

	December 31, 2009		December 31, 2008	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	<u>\$ 2,454</u>	<u>\$ 2,437</u>	<u>\$ 1,810</u>	<u>\$ 1,386</u>

Investments Held in Rabbi Trust were comprised of mutual funds, 69% of which are equity-based and 31% were debt-based at December 31, 2009. Investment income, included in "Other income (expense)" in the accompanying Consolidated Statements of Operations for the years ended December 31, 2009, 2008 and 2007 consists of the following (in thousands):

	December 31,		
	2009	2008	2007
Gross realized gains from sale of trading securities	\$ 41	\$ 2	\$ 2
Gross realized losses from sale of trading securities ...	(21)	(13)	(4)
Dividend and interest income	46	44	124
Net unrealized holding gains (losses)	341	(660)	(71)
Net investment income (losses)	<u>\$ 407</u>	<u>\$ (627)</u>	<u>\$ 51</u>

Note 10. Short-term Investments

As of December 31, 2007, the Company had short-term investments of \$17.8 million in commercial paper (none for 2009 or 2008) with a remaining maturity of less than one year. Short-term investments are carried at amortized cost, which approximates fair value. Therefore, there were no significant unrecognized holding gains or losses at December 31, 2007.

Note 11. Property and Equipment

Property and equipment consist of the following (in thousands):

	December 31,	December 31,
	2009	2008
Land	\$ 4,323	\$ 4,180
Buildings and leasehold improvements	62,832	57,082
Equipment, furniture and fixtures	204,931	188,550
Capitalized software development costs	3,010	3,074
Transportation equipment	774	706
Construction in progress	748	498
	<u>276,618</u>	<u>254,090</u>
Less accumulated depreciation	196,354	173,700
	<u>\$ 80,264</u>	<u>\$ 80,390</u>

Note 12. Deferred Charges and Other Assets

Deferred charges and other assets consist of the following (in thousands):

	December 31,	December 31,
	2009	2008
Non-current deferred tax assets (Note 18).....	\$ 11,570	\$ 14,679
Non-current value added tax certificates (Note 1).....	5,644	4,924
Restricted cash (Note 21).....	466	453
Investment in SHPS, Incorporated, at cost (Note 1).....	-	2,089
Other	3,373	2,712
	<u>\$ 21,053</u>	<u>\$ 24,857</u>

Note 13. Accrued Employee Compensation and Benefits

Accrued employee compensation and benefits consist of the following (in thousands):

	<u>December 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Accrued compensation	\$ 18,872	\$ 15,245
Accrued vacation	11,913	10,954
Accrued bonus and commissions	9,312	10,021
Accrued employment taxes	8,519	8,657
Other	2,511	2,317
	<u>\$ 51,127</u>	<u>\$ 47,194</u>

Note 14. Deferred Revenue

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

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Future service	\$ 25,027	\$ 23,530
Estimated potential penalties and holdbacks	5,056	3,425
	<u>\$ 30,083</u>	<u>\$ 26,955</u>

Note 15. Other Accrued Expenses and Current Liabilities

Other accrued expenses and current liabilities consist of the following (in thousands):

	<u>December 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Deferred tax liabilities (Note 18)	\$ 6,453	\$ -
Accrued legal and professional fees	4,304	3,097
Accrued roadside assistance claim costs	2,207	1,937
Accrued rent.....	920	446
Accrued telephone charges	535	556
Forward contracts (Note 8).....	326	11,654
Other	4,397	3,367
	<u>\$ 19,142</u>	<u>\$ 21,057</u>

Note 16. Borrowings

On February 2, 2010, the Company entered into a new Credit Agreement (the “New Credit Agreement”) with a group of lenders and KeyBank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent (“KeyBank”). The New 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 Group, Inc. (“ICT”) on such date. See Note 26 – Subsequent Event for further information about the ICT acquisition.

The \$75 million revolving credit facility provided under the New Credit Agreement replaces the previous senior revolving credit facility provided by KeyBank under a credit agreement, dated March 30, 2009, among SYKES, the lenders party thereto, and KeyBank, as Lead Arranger, Sole Book Runner and Administrative Agent, which agreement was terminated simultaneous with entering into the New Credit Agreement. The \$75 million revolving credit facility, which includes a \$40 million multi-currency sub-facility, a \$10 million swingline sub-facility and a

\$5 million letter of credit sub-facility, 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, due to recent economic conditions and the volatile business climate facing financial institutions, there can be no assurance that such facility will be available to the Company, even though it is a binding commitment. The Term Loan and the revolving credit facility will mature on February 1, 2013. The Term Loan is required to be repaid in quarterly amounts commencing on June 30, 2010 and continuing at the end of each quarter thereafter as follows: \$2.5 million per quarter in 2010, \$3.75 million per quarter in 2011, and \$5 million per quarter in 2012, with a final payment due at maturity.

Borrowings under the New 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%. Swing Line 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.

The New 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 the guarantors.

On December 11, 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 provides for a \$75 million short-term loan to Sykes Bermuda and requires that Sykes Bermuda and its direct subsidiaries maintain cash and cash equivalents of at least \$80 million at all times. The \$80.0 million is included in "Restricted Cash" in the accompanying Consolidated Balance Sheet as of December 31, 2009. Sykes Bermuda drew down the full \$75 million on December 11, 2009 and paid an underwriting fee of \$0.8 million which was deferred and amortized over the term of the loan. The loan, which matures on March 31, 2010, is secured by a pledge of 100% of the non-voting and 65% of the voting capital stock of all the direct subsidiaries of Sykes Bermuda. The Bermuda Credit Agreement requires Sykes Bermuda to prepay the outstanding loan, subject to certain exceptions, with the net cash proceeds of all asset dispositions, debt issuances, and insurance and condemnation proceeds not used to replace or rebuild the affected property. Outstanding amounts bear interest, 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 \$75 million outstanding short-term loan under the Bermuda Credit Agreement, with a current interest rate of 3.8125% in 2009, is included in "Current liabilities" in the accompanying Consolidated Balance Sheet as of December 31, 2009. The related interest expense and amortization of deferred loan fees of \$0.3 million are included in "Interest expense" in the accompanying Consolidated Statement of Operations for 2009 (none in 2008).

Simultaneous with the execution and delivery of the Bermuda Credit Agreement, the Company entered into a Guaranty of Payment agreement with KeyBank, pursuant to which the obligations of Sykes Bermuda under the Bermuda Credit Agreement are guaranteed by the Company.

Also, simultaneous with the execution and delivery of the Bermuda Credit Agreement, SYKES, KeyBank and the other lenders party thereto entered into a First Amendment Agreement, amending the credit agreement, dated March 30, 2009, between the Company, KeyBank and the other lenders party thereto. The First Amendment Agreement amended the terms of the credit agreement to permit the loan to Sykes Bermuda and the Company's guaranty of that loan. As of December 31, 2009 and 2008, there were no outstanding balances and no borrowings in 2009 under the credit agreement dated March 30, 2009. As previously mentioned, this credit agreement, dated March 30, 2009, was terminated on February 2, 2010 simultaneous with entering into the New Credit Agreement.

Note 17. Accumulated Other Comprehensive Income (Loss)

The Company presents data in the 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 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, 2007	\$ 6,913	\$ (1,044)	\$ -	\$ -	\$ 5,869
Pre tax amount	23,195	4,166	13,821	-	41,182
Tax (provision)	-	(803)	(2,693)	-	(3,496)
Reclassification to net income ...	(13)	43	(6,128)	-	(6,098)
Foreign currency translation	197	(197)	-	-	-
Balance at December 31, 2007 ...	30,292	2,165	5,000	-	37,457
Pre tax amount	(34,451)	48	(21,247)	-	(55,650)
Tax (provision) benefit	-	(479)	5,664	-	5,185
Reclassification to net income ...	(4)	(61)	2,390	-	2,325
Foreign currency translation	(73)	(286)	359	-	-
Balance at December 31, 2008 ...	(4,236)	1,387	(7,834)	-	(10,683)
Pre tax amount	8,360	(279)	5,082	307	13,470
Tax (provision) benefit	-	121	(4,255)	-	(4,134)
Reclassification to net income ...	3	(63)	9,257	(31)	9,166
Foreign currency translation	190	41	(231)	-	-
Balance at December 31, 2009....	\$ 4,317	\$ 1,207	\$ 2,019	\$ 276	\$ 7,819

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. In connection with the Company's borrowing of a \$75 million Term Loan on February 2, 2010 to close the ICT acquisition and a \$10 million increase in estimated costs relating to the ICT transaction, the Company was deemed to have changed its assertion regarding the permanent reinvestment of \$85.0 million of foreign subsidiaries' accumulated and undistributed earnings, the tax effect of which was required to be recorded for financial reporting purposes in the fourth quarter of 2009. See Note 18 - Income Taxes for further information. The Finance Committee of our Board of Directors approved the repatriation of \$85 million of foreign subsidiaries' accumulated and undistributed earnings on February 8, 2010.

Note 18. Income Taxes

The income (loss) before provision for income taxes includes the following components (in thousands):

	Years Ended December 31,		
	2009	2008	2007
Domestic (U.S., state and local)	\$ (224)	\$ (7,207)	\$ (7,426)
Foreign	69,553	89,189	61,477
Total income before provision for income taxes	\$ 69,329	\$ 81,982	\$ 54,051

Significant components of the income tax provision are as follows (in thousands):

	Years Ended December 31,		
	2009	2008	2007
Current:			
U.S. federal	\$ 1,406	\$ (323)	\$ 403
State and local	-	-	66
Foreign	14,547	20,390	13,617
Total current provision for income taxes	<u>15,953</u>	<u>20,067</u>	<u>14,086</u>
Deferred:			
U.S. federal	11,791	3,600	57
State and local	158	357	7
Foreign	(1,784)	(2,603)	42
Total deferred provision for income taxes	<u>10,165</u>	<u>1,354</u>	<u>106</u>
Total provision for income taxes	<u>\$ 26,118</u>	<u>\$ 21,421</u>	<u>\$ 14,192</u>

The temporary differences that give rise to significant portions of the deferred income tax provision (benefit) are as follows (in thousands):

	Years Ended December 31,		
	2009	2008	2007
Accrued expenses	\$ 14,831	\$ (932)	\$ (957)
Net operating loss and tax credit carryforwards	2,188	4,093	1,465
Depreciation and amortization	(863)	1,750	435
Deferred revenue	(722)	(2,087)	398
Deferred statutory income	474	2,252	(631)
Valuation allowance	(5,807)	(4,087)	(1,244)
Other	64	365	640
Total deferred provision for income taxes	<u>\$ 10,165</u>	<u>\$ 1,354</u>	<u>\$ 106</u>

The reconciliation of income tax provision computed at the U.S. federal statutory tax rate to the Company's effective income tax provision is as follows (in thousands):

	Years Ended December 31,		
	2009	2008	2007
Tax at U.S. statutory rate	\$ 24,266	\$ 28,694	\$ 18,917
State income taxes, net of federal tax benefit	158	357	3
Tax holidays	(13,841)	(10,895)	(6,499)
Change in valuation allowance, net of related adjustments	(5,274)	1,280	2,640
Foreign rate differential	(7,573)	(9,144)	(7,025)
Changes in uncertain tax positions	594	(2,261)	1,087
Permanent differences	7,913	6,388	3,124
Foreign withholding and other taxes	4,048	7,545	1,344
Change of assertion related to foreign earnings distribution.....	16,281	-	-
Tax credits	(454)	(1,477)	-
Other	-	934	601
Total provision for income taxes	<u>\$ 26,118</u>	<u>\$ 21,421</u>	<u>\$ 14,192</u>

During 2009, the Company distributed approximately \$25.0 million in current earnings from its Philippine operations to its foreign parent in the Netherlands to take advantage of the expiring tax provisions of Internal Revenue Code section 954(c)(6). These tax provisions permit continued tax deferral on such distributions that would otherwise be taxable immediately in the United States. While the distribution is not taxable in the United States, it is subject to a withholding tax of \$2.5 million, which is included in the provision for income taxes in the Consolidated Statement of Operations for 2009. In connection with the Company's borrowing of a \$75 million Term Loan on February 2, 2010 to close the ICT acquisition and a \$10 million increase in estimated costs relating to the ICT acquisition, the Company was deemed to have changed its assertion regarding the permanent reinvestment of \$85.0 million of foreign subsidiaries' accumulated and undistributed earnings. The proposed acquisition of ICT and the intent to fund the transaction through committed credit facilities was announced on October 6, 2009. Under the provisions of ASC 740-30-25-19, the Company determined that, based upon historical results, it could not retire the \$75 million Term Loan and pay the additional \$10 million in estimated costs without depleting excess U.S. cash flows needed for future operations. Accordingly, a deferred tax expense of \$14.7 million, net of a release of a valuation allowance of \$1.6 million on foreign tax credits related to this change in assertion, was required to be recorded for financial reporting purposes in the fourth quarter of 2009 under ASC 740-30. The Finance Committee of the Board of Directors approved the repatriation of \$85 million of foreign subsidiaries' accumulated and undistributed earnings on February 8, 2010. A provision for income taxes has not been made for the remaining balance of undistributed earnings of foreign subsidiaries of approximately \$295.0 million at December 31, 2009, as the earnings are permanently reinvested in foreign business operations in accordance with ASC 740-30. 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 Company has been granted tax holidays in the Philippines, Costa Rica, El Salvador and India. The tax holidays have various expiration dates ranging from 2010 through 2018. 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 renew them. This could potentially result in adverse tax consequences. The Company's tax holidays decreased the provision for income taxes by \$13.8 million (\$0.34 per diluted share), \$10.9 million (\$0.27 per diluted share) and \$6.5 million (\$0.16 per diluted share) for the years ended December 31, 2009, 2008 and 2007, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income taxes.

The temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2009 and 2008, respectively, are presented below (in thousands):

	December 31,	
	2009	2008
Deferred tax assets:		
Accrued expenses	\$ 2,929	\$ 7,629
Net operating loss and tax credit carry forwards	44,444	41,237
Depreciation and amortization	5,553	7,772
Deferred revenue	2,316	5,308
Valuation allowance	(32,126)	(30,618)
Other	6	-
	<u>23,122</u>	<u>31,328</u>
Deferred tax liabilities:		
Accrued liabilities	(10,178)	(1,906)
Depreciation and amortization	(5,790)	(8,345)
Deferred statutory income	(1,279)	(1,634)
Other	(452)	-
	<u>(17,699)</u>	<u>(11,885)</u>
Net deferred tax assets	<u>\$ 5,423</u>	<u>\$ 19,443</u>
	December 31,	
	2009	2008
Classified as follows:		
Other current assets (Note 7)	\$ 3,126	\$ 8,199
Deferred charges and other assets (Note 12).....	11,570	14,679
Other accrued expenses and current liabilities (Note 15).....	(6,453)	-
Other long-term liabilities	(2,820)	(3,435)
Net deferred tax assets	<u>\$ 5,423</u>	<u>\$ 19,443</u>

The Company establishes a valuation allowance to reduce deferred tax assets if, based on the weight of the available evidence, both positive and negative, for each respective tax jurisdiction, it is more likely than not that some portion or all of the deferred tax assets will not be realized. In 2009, the Company determined that its profitability and expectations of future profitability of its foreign and domestic operations indicated that it was “more likely than not” that \$5.8 million of its deferred tax assets would be realized. Accordingly, in 2009, the Company recognized a net increase in its U.S. deferred tax assets of \$6.4 million through a partial reversal of the valuation allowance related to its anticipated utilization of its domestic net operating loss and foreign tax credit carry-forwards. These U.S. deferred tax assets were partially offset by a net decrease of \$0.6 million in deferred tax assets when we placed an additional net valuation allowance on a foreign subsidiaries’ deferred tax assets related to the future use of their net operating losses.

There are approximately \$183.8 million of income tax loss carryforwards at December 31, 2009 with varying expiration dates, approximately \$83.7 million of which relates to foreign operations, \$24.4 million relating to U.S. Federal operations, and \$75.7 million relating to U.S. State operations. For U.S. Federal purposes, a net operating loss carry forward of approximately \$24.4 million as well as \$4.5 million of tax credits are available at December 31, 2009 for carryforward, with the latest expiration date ending December 31, 2025. Of this \$24.4 million carry forward, \$10.1 million is limited as it relates to net operating loss carryforwards of a domestic subsidiary acquired in prior years. Regarding the U.S. State operations, of the \$75.7 million, no benefit has been recognized for \$73.7 million as it is more likely than not that these losses will expire without realization of tax benefits. With respect to foreign operations, \$60.1 million of the net operating loss carryforwards have an indefinite expiration date and the remaining \$23.6 million net operating loss carryforwards have varying expiration dates through December 2018.

The Company is currently under audit in Germany for tax years 2005-2007. The audit is anticipated to be finalized in 2010. The Company believes it is adequately reserved for this audit, the resolution of which is not

expected to have a material impact. A Philippine subsidiary is being audited by the Philippine tax authorities for tax years 2006 through 2007 and no material issues have been reported to the Company by the auditors. The Indian tax authority audited the tax years ended March 31, 2004 and 2005, which remain under appeal with the Indian tax authorities. In addition, the Company is currently under examination in India for tax years ended March 31, 2008, 2007, and 2006. The Indian tax authorities have made no material additional tax assessments for the years currently under audit.

The Company adopted the provisions of uncertain tax positions in ASC 740 on January 1, 2007 and recognized a \$2.7 million liability for unrecognized tax benefits, including interest and penalties, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. This adjustment to the beginning balance of retained earnings includes \$1.3 million related to transfer pricing penalties that may be assessed in connection with an income tax audit of the Indian subsidiary. Upon adoption of FIN 48 as of January 1, 2007, the Company had \$9.1 million of unrecognized tax benefits (including \$4.6 million of net operating loss carryforwards that were previously recognized as deferred tax assets with a full valuation allowance).

As of December 31, 2009, the Company had \$3.8 million of unrecognized tax benefits, a net increase of \$0.4 million from \$3.4 million as of December 31, 2008. This increase results primarily from proposed foreign audit adjustments, partially offset by the expiration of statutes of limitations on certain foreign subsidiaries and favorable exchange rates. Had the Company recognized these tax benefits, approximately \$3.1 million, \$3.1 million and \$5.1 million and the related interest and penalties would favorably impact the effective tax rate in 2009, 2008 and 2007, respectively. The Company believes it is reasonably possible that our unrecognized tax benefits will decrease or be recognized in the next twelve months by up to \$1.1 million due to expiration of statutes of limitations, audit or appeal resolution in various tax jurisdictions.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. The Company had \$2.2 million and \$2.0 million accrued for interest and penalties as of December 31, 2009 and 2008, respectively. Of the accrued interest and penalties at December 31, 2009 and 2008, \$1.2 million and \$1.2 million, respectively, relate to statutory penalties. The amount of interest and penalties recognized in the accompanying Consolidated Statements of Operations for 2009, 2008 and 2007 was \$0.2 million, (\$1.0) million and \$0.6 million, respectively.

The tabular reconciliation of the amounts of unrecognized net tax benefits for the years ended December 31, 2009, 2008 and 2007 is presented below (in thousands):

	Amount
Gross unrecognized tax benefits as of January 1, 2007 (date of adoption)	\$ 9,095
Prior period tax position decreases	(4,110)
Current period tax position increases	220
Decrease from settlements with tax authorities	(233)
Foreign currency translation	386
Gross unrecognized tax benefits as of December 31, 2007	5,358
Prior period tax position decreases	(383)
Current period tax position increases	-
Decrease from settlements with tax authorities	(1,404)
Foreign currency translation	(213)
Gross unrecognized tax benefits as of December 31, 2008	3,358
Prior period tax position increases	458
Current period tax position increases	-
Decrease due to lapse in applicable statute of limitations	(120)
Foreign currency translation	114
Gross unrecognized tax benefits as of December 31, 2009	\$ 3,810

The Company files income tax returns in the U.S. and foreign jurisdictions. The following table presents the major tax jurisdictions and tax years that are open as of December 31, 2009 and subject to examination by the respective tax authorities:

Tax Jurisdiction	Tax Year Ended
Canada	2005 to present
Costa Rica	2005 to present
China	2004 to present
Germany	1996 to present
India	2003 to present
Philippines	2006 to present
Scotland	2006 to present
United States	(1997 to 1999, 2002-2004) ⁽¹⁾ and 2005 to present

(1) These tax years are open to the extent of the Net Operating Loss carry forward amount.

Note 19. Termination Costs Associated With Exit Activities

On November 3, 2005, the Company committed to a plan (the “Plan”) to reduce its workforce by approximately 200 people in one of its European customer contact management centers in Germany in response to the October 2005 contractual expiration of a technology client program, which generated annual revenues of approximately \$12.0 million. The Company substantially completed the Plan by the end of the third quarter of 2007. Total charges related to the Plan were \$1.4 million. These charges include approximately \$1.2 million for severance and related costs and \$0.2 million for other exit costs. The Company ceased using certain property and equipment estimated at \$0.2 million, and depreciated these assets over a shortened useful life, which approximated eight months. As a result, the Company recorded additional depreciation of approximately \$0.2 million during 2006. The Company reversed previously accrued termination costs of less than \$0.1 million in “Direct salaries and related costs” in the accompanying Consolidated Statement of Operations for 2007 due to a change in estimate. Cash payments related to termination costs made totaled \$0.6 million for 2007. Termination costs under the Plan approximated \$1.2 million with total cash payments of \$1.2 million.

Note 20. Earnings Per Share

Basic earnings per share is 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 trust using the treasury stock method. For the years ended December 31, 2009, 2008 and 2007, the impact of outstanding options to purchase shares of common stock and stock appreciation rights of 0.1 million shares, 0.1 million shares and 0.1 million shares, respectively, were antidilutive and were excluded from the calculation of diluted earnings per share.

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

	<u>December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Basic:			
Weighted average common shares outstanding	40,707	40,618	40,387
Diluted:			
Dilutive effect of stock options, stock appreciation rights, restricted stock, common stock units and shares held in a rabbi trust	319	343	312
Total weighted average diluted shares outstanding	<u>41,026</u>	<u>40,961</u>	<u>40,699</u>

On August 5, 2002, the Company's Board of Directors authorized the Company to purchase up to three million shares of its outstanding common stock. A total of 1.9 million shares have been repurchased under this 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. During 2009, the Company repurchased 224 thousand common shares under the 2002 repurchase program at prices ranging from \$13.72 to \$14.75 per share for a total cost of \$3.2 million. During 2008, the Company repurchased 34 thousand common shares under the 2002 repurchase at a price of \$14.83 per share for a total cost of \$0.5 million (none in 2007).

During 2008, the Company cancelled 4.6 million shares of its Treasury stock and recorded reductions of \$0.1 million to "Common stock", \$33.3 million to "Additional paid-in capital", \$51.5 million to "Treasury stock" and \$18.1 million to "Retained earnings".

Note 21. Commitments and Loss Contingency

The Company leases certain equipment and buildings under operating leases having original terms ranging from one to twenty-five years, some with options to cancel at varying points during the lease. The building leases contain up to two five-year renewal options. Rental expense under operating leases for 2009, 2008 and 2007 was approximately \$23.6 million, \$23.0 million, and \$20.4 million, respectively.

The following is a schedule of future minimum rental payments under operating leases having a remaining non-cancelable term in excess of one year subsequent to December 31, 2009 (but excluding leases relating to facilities obtained as a result of the ICT acquisition) (in thousands):

	<u>Total Amount</u>
2010	\$ 15,315
2011	7,480
2012	3,092
2013	2,037
2014	1,950
Thereafter	6,303
Total minimum payments required	<u>\$ 36,177</u>

A lease agreement, relating to the Company's customer contact management center in Ireland, contains a cancellation clause which requires the Company, in the event of cancellation, to restore the facility to its original state at an estimated cost of \$0.7 million as of December 31, 2009 and pay a cancellation fee of \$0.3 million, which approximates one annual rental payment under the lease agreement. As of December 31, 2009, the Company had no plans to cancel this lease agreement. Therefore, the Company does not expect to make any payments under this agreement and, accordingly, has not recorded a liability in the accompanying Consolidated Balance Sheets.

The Company enters into agreements with third-party vendors in the ordinary course of business whereby the Company commits to purchase goods and services used in its normal operations. These agreements, which are not

cancelable, generally range from one to five 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 purchases remaining under the agreements as of December 31, 2009 (but excluding agreements obtained as a result of the ICT acquisition) (in thousands):

	Total Amount
2010	\$ 8,502
2011	3,150
2012	31
2013	17
2014	-
Thereafter	-
Total minimum payments required	\$ 11,700

From time to time, during the normal course of business, the Company may make certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These include, but are not limited to: (i) indemnities to clients, vendors and service providers pertaining to claims based on negligence or willful misconduct of the Company and (ii) indemnities involving breach of contract, the accuracy of representations and warranties of the Company, or other liabilities assumed by the Company in certain contracts. In addition, the Company has agreements whereby it will indemnify certain officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The indemnification period covers all pertinent events and occurrences during the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has director and officer insurance coverage that limits its exposure and enables it to recover a portion of any future amounts paid. The Company believes the applicable insurance coverage is generally adequate to cover any estimated potential liability under these indemnification agreements. The majority of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential for future payments the Company could be obligated to make. The Company has not recorded any liability for these indemnities, commitments and other guarantees in the accompanying Consolidated Balance Sheets. In addition, the Company has some client contracts that do not contain contractual provisions for the limitation of liability, and other client contracts that contain agreed upon exceptions to limitation of liability. The Company has not recorded any liability in the accompanying Consolidated Balance Sheets with respect to any client contracts under which the Company has or may have unlimited liability.

The Company has previously disclosed regulatory sanctions assessed against the Company's Spanish subsidiary relating to the alleged inappropriate acquisition of personal information in connection with two outbound client contracts. In order to appeal these claims, the Company issued a bank guarantee of \$0.9 million. During 2008, \$0.4 million of the bank guarantee was returned to the Company. The remaining balance of the bank guarantee of \$0.5 million is included as restricted cash in "Deferred charges and other assets" in the accompanying Consolidated Balance Sheets as of December 31, 2009 and 2008. The Company will continue to vigorously defend these matters. However, due to further progression of several of these claims within the Spanish court system, and based upon opinion of legal counsel regarding the likely outcome of several of the matters before the courts, the Company accrued a liability in the amount of \$1.3 million as of December 31, 2009 and 2008 under ASC 450 "Contingencies" because management now believes that a loss is probable and the amount of the loss can be reasonably estimated as to three of the subject claims. There are two other related claims, one of which is currently under appeal, and the other of which is in the early stages of investigation, but the Company has not accrued any amounts related to either of those claims because management does not currently believe a loss is probable, and it is not currently possible to reasonably estimate the amount of any loss related to those two claims.

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

Note 22. Defined Benefit Pension Plan and Post-Retirement Benefits

Defined Benefit Pension Plan

The Company sponsors a non-contributory defined benefit pension plan (the "Pension Plan") for its employees in the Philippines. The Pension Plan provides defined benefits based on years of service and final salary. All permanent employees meeting the minimum service requirement are eligible to participate in the Pension Plan. As of December 31, 2009, the Pension Plan was unfunded. The Company does not expect to make cash contributions to its Pension Plan during 2010.

The following tables provide a reconciliation of the change in the benefit obligation for the Pension Plan and the net amount recognized in the accompanying Consolidated Balance Sheets (in thousands):

	For the Years Ended December 31,	
	2009	2008
Beginning benefit obligation	\$ 340	\$ 353
Service costs	63	80
Interest costs	36	35
Actuarial gain	279	(48)
Effect of foreign currency translation	13	(81)
Ending benefit obligation	\$ 731	\$ 339
Unfunded status	(731)	(339)
Net amount recognized	\$ (731)	\$ (339)

The net amount recognized consists of accrued benefit costs of \$0.7 million and \$0.3 million as of December 31, 2009 and 2008, respectively, and is included in "Other long-term liabilities" in the accompanying Consolidated Balance Sheets.

Weighted-average actuarial assumptions used to determine the benefit obligations and net periodic benefit cost for the Pension Plan were as follows:

	For the Years Ended		
	December 31,		
	2009	2008	2007
Discount rate	9.13%	10.5%	8.3%
Rate of compensation increase	7.0%	5.0% – 10.0%	5.0% – 10.0%

The Company evaluates these assumptions on a periodic basis taking into consideration current market conditions and historical market data. The discount rate is used to calculate expected future cash flows at a present value on the measurement date, which is December 31. This rate represents the market rate for high-quality fixed income investments. A lower discount rate would increase the present value of benefit obligations. Other assumptions include demographic factors such as retirement, mortality and turnover.

The following table provides information about the net periodic benefit cost and other accumulated comprehensive income for the Pension Plan (in thousands):

	For the Years Ended December 31,		
	2009	2008	2007
Service cost.....	\$ 63	\$ 80	\$ (9)
Interest cost.....	36	35	305
Recognized actuarial (gains) losses	(61)	(65)	43
Net periodic benefit cost	38	50	339
Unrealized net actuarial (gain), net of tax	(1,207)	(1,387)	(2,165)
Total recognized in net periodic benefit cost and other accumulated comprehensive income (loss)	\$ (1,169)	\$ (1,337)	\$ (1,826)

The estimated future benefit payments, which reflect expected future service, as appropriate, are as follows (excluding the effect of the increase in the number of Philippine employees subject to the Plan resulting from the ICT acquisition) (in thousands):

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ -
2011	-
2012	-
2013	3
2014	-
2015 - 2019.....	<u>262</u>
Total minimum payments required	<u>\$ 265</u>

The Company expects to recognize \$0.1 million of net actuarial gains as a component of net periodic benefit cost in 2010.

Employee Retirement Savings Plan

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 contribution was \$1.0 million, \$0.7 million and \$0.7 million for 2009, 2008 and 2007, respectively.

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. The post-retirement benefit obligation of \$0.3 million was included in “Other long-term liabilities” as of December 31, 2009 and \$0.1 million and \$0.4 million were included in “Accrued employee compensation and benefits” and “Other long-term liabilities”, respectively, as of December 31, 2008, in the accompanying Consolidated Balance Sheets. The Company has an unrealized gain of \$0.3 million as of December 31, 2009 due to the change in discount rates related to the post retirement obligation, which was recorded in “AOCI” in the accompanying Consolidated Balance Sheet (none in 2008).

Post-Retirement Defined Contribution Healthcare Plan

On January 1, 2005, the Company established a Post-Retirement Defined Contribution Healthcare Plan for eligible employees meeting certain service and age requirements. The plan is fully funded by the participants and accordingly, the Company does not recognize expense relating to the plan.

Note 23. Stock-Based Compensation

A detailed description of each of the Company’s stock-based compensation plans is provided below, including the 2001 Equity Incentive Plan, the 2004 Non-Employee Director Fee Plan and the Deferred Compensation Plan. Stock-based compensation expense related to these plans, which is included in “General and administrative” costs primarily in the Americas in the accompanying Consolidated Statements of Operations, was \$5.2 million, \$4.8 million and \$4.2 million for the years ended December 31, 2009, 2008 and 2007, respectively. The Company recognized income tax benefits in the accompanying Consolidated Statements of Operations for years ended December 31, 2009, 2008 and 2007 of \$2.0 million, \$1.9 million and \$1.6 million, respectively. In addition, the Company recognized benefits of tax deductions in excess of recognized tax benefits of \$0.9 million and \$0.7 million from the exercise of stock options in the years ended December 31, 2009 and 2008 and, respectively (none in 2007). There were no capitalized stock-based compensation costs at December 31, 2009, 2008 and 2007.

2001 Equity Incentive Plan — The Company’s 2001 Equity Incentive Plan (the “Plan”), which is shareholder-approved, permits the grant of stock options, stock appreciation rights, restricted stock and other stock-based awards to certain employees of the Company, and certain non-employees who provide services to the Company, for up to 7.0 million shares of common stock in order to encourage them to remain in the employment of or to diligently provide services to the Company and to increase their interest in the Company’s success.

Stock Options -- Options are granted at fair market value on the date of the grant and generally vest over one to four years. All options granted under the Plan expire if not exercised by the tenth anniversary of their grant date. The fair value of each stock option award is estimated on the date of grant using the Black-Scholes valuation model that uses various assumptions. The fair value of the stock option awards is expensed on a straight-line basis over the vesting period of the award. Expected volatility is based on 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 stock option awards granted is derived from historical exercise experience under the Plan and represents the period of time that stock option awards granted are expected to be outstanding. No stock options were granted during the years ended December 31, 2009, 2008 or 2007.

The following table summarizes stock option activity under the Plan as of December 31, 2009 and for the year 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, 2009.....	335	\$ 12.94		
Granted	-	-		
Exercised	(259)	12.83		
Forfeited or expired	(27)	22.87		
Outstanding at December 31, 2009	49	\$ 8.05	2.1	\$ 846
Vested or expected to vest at December 31, 2009 ...	49	\$ 8.05	2.1	\$ 846
Exercisable at December 31, 2009	49	\$ 8.05	2.1	\$ 846

Options exercised in the years ended December 31, 2009, 2008 and 2007 had an intrinsic value of \$2.6 million, \$0.8 million and \$0.9 million, respectively. All options were fully vested as of December 31, 2006 and there is no unrecognized compensation cost as of December 31, 2009 related to these options granted under the Plan (the effect of estimated forfeitures is not material.)

Cash received from stock options exercised under all stock-based compensation plans for 2009, 2008 and 2007 was \$3.3 million, \$1.2 million and \$0.5 million, respectively.

Stock Appreciation Rights -- The Company’s Board of Directors, at the recommendation of the Compensation and Human Resource Development Committee (the “Committee”), approves awards of stock-settled stock appreciation rights (“SARs”) for eligible participants. SARs represent the right to receive, without payment to the Company, a certain number of shares of common stock, as determined by the Committee, equal to the amount by which the fair market value of a share of common stock at the time of exercise exceeds the grant price.

The SARs are granted at fair market value of the Company’s common stock on the date of the grant and vest one-third on each of the first three anniversaries of the date of grant, provided the participant is employed by the Company on such date. The SARs have a term of 10 years from the date of grant. In the event of a change in control, the SARs will vest on the date of the change in control, provided that the participant is employed by the Company on the date of the change in control.

The SARs are exercisable within three months after the death, disability, retirement or termination of the participant's employment with the Company, if and to the extent the SARs were exercisable immediately prior to such termination. If the participant's employment is terminated for cause, or the participant terminates his or her own employment with the Company, any portion of the SARs not yet exercised (whether or not vested) terminates immediately on the date of termination of employment.

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 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 year ended December 31, 2009, 2008 and 2007:

	Twelve Months Ended		
	December 31,		
	2009	2008	2007
Expected volatility	47%	47%	53%
Weighted-average volatility	47%	47%	53%
Expected dividends	-	-	-
Expected term (in years)	4.0	4.0	4.0
Risk-free rate	1.3%	3.1%	4.5%

The following table summarizes SARs activity under the Plan as of December 31, 2009 and for the year 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, 2009.....	367	\$ -		
Granted	177	-		
Exercised	(123)	-		
Forfeited or expired	-	-		
Outstanding at December 31, 2009	421	\$ -	8.4	\$ 2,985
Vested or expected to vest at December 31, 2009 ...	421	\$ -	8.4	\$ 2,985
Exercisable at December 31, 2009	115	\$ -	7.4	\$ 976

The weighted-average grant-date fair value of the SARs granted during 2009, 2008 and 2007 was \$7.42, \$7.20 and \$7.72, respectively. The total intrinsic value of SARs exercised during 2009 and 2008 was \$1.1 million and \$0.1 million, respectively (none in 2007).

The following table summarizes the status of nonvested SARs under the Plan as of December 31, 2009 and for the year then ended:

Nonvested Stock Appreciation Rights	Shares (In thousands)	Weighted- Average Grant-Date Fair Value
Nonvested at January 1, 2009	255	\$ 7.38
Granted	177	\$ 7.42
Vested	(126)	\$ 7.39
Forfeited or expired	<u>-</u>	\$ -
Nonvested at December 31, 2009	<u>306</u>	\$ 7.40

As of December 31, 2009, there was \$1.3 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested SARs granted under the Plan. This cost is expected to be recognized over a weighted-average period of 1.9 years. SARs that vested during 2008 and 2007 had a fair value of \$0.1 million and \$0.2 million, respectively, as of the vesting date (no fair value on vested shares in 2009).

Restricted Shares -- The Company's Board of Directors, at the recommendation of the Committee, approves awards of performance and employment-based restricted shares ("Restricted Shares") for eligible participants. In some instances, where the issuance of Restricted Shares has adverse tax consequences to the recipient, the Board will instead issue restricted stock units ("RSUs"). The Restricted Shares are shares of the Company's common stock (or in the case of RSUs, represent an equivalent number of shares of the Company's common stock) which are issued to the participant subject to (a) restrictions on transfer for a period of time and (b) forfeiture under certain conditions. The performance goals, including revenue growth and income from operations targets, provide a range of vesting possibilities from 0% to 100% and will be measured at the end of the performance period. If the performance conditions are met for the performance period, the shares will vest and all restrictions on the transfer of the Restricted Shares will lapse (or in the case of RSUs, an equivalent number of shares of the Company's common stock will be issued to the recipient). The Company recognizes compensation cost, net of estimated forfeitures based on the fair value (which approximates the current market price) of the Restricted Shares (and RSUs) on the date of grant ratably over the requisite service period based on the probability of achieving the performance goals.

Changes in the probability of achieving the performance goals from period to period will result in corresponding changes in compensation expense. The employment-based restricted shares vest one-third on each of the first three anniversaries of the date of grant, provided the participant is employed by the Company on such date.

In the event of a change in control (as defined in the Plan) prior to the date the Restricted Shares vest, all of the Restricted Shares will vest and the restrictions on transfer will lapse with respect to such vested shares on the date of the change in control, provided that participant is employed by the Company on the date of the change in control.

If the participant's employment with the Company is terminated for any reason, either by the Company or participant, prior to the date on which the Restricted Shares have vested and the restrictions have lapsed with respect to such vested shares, any Restricted Shares remaining subject to the restrictions will be forfeited, unless there has been a change in control prior to such date.

The weighted-average grant-date fair value of the Restricted Shares/Units granted during 2009, 2008 and 2007 was \$19.69, \$17.86 and \$16.93, respectively.

The following table summarizes the status of nonvested Restricted Shares/Units under the Plan as of December 31, 2009 and for the year then ended:

Nonvested Restricted Shares / Units	Shares (In thousands)	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2009	548	\$ 16.57
Granted	231	\$ 19.69
Vested	(198)	\$ 14.95
Forfeited or expired	-	\$ -
Nonvested at December 31, 2009	581	\$ 18.36

As of December 31, 2009, based on the probability of achieving the performance goals, there was \$5.6 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested Restricted Shares/Units granted under the Plan. This cost is expected to be recognized over a weighted-average period of 1.9 years. The restricted shares that vested during the year ended December 31, 2009 and 2008 had a fair value of \$3.2 million and \$1.4 million, respectively, as of the vesting date (not material in 2007).

Other Awards -- The Company's Board of Directors, at the recommendation of the Committee, approves awards of Common Stock Units ("CSUs") for eligible participants. A CSU is a bookkeeping entry on the Company's books that records the equivalent of one share of common stock. If the performance goals described under Restricted Shares in this Note 23 are met, performance-based CSUs will vest on the third anniversary of the grant date. The Company recognizes compensation cost, net of estimated forfeitures, based on the fair value (which approximates the current market price) of the CSUs on the date of grant ratably over the requisite service period based on the probability of achieving the performance goals. Changes in the probability of achieving the performance goals from period to period will result in corresponding changes in compensation expense. The employment-based CSUs vest one-third on each of the first three anniversaries of the date of grant, provided the participant is employed by the Company on such date. On the date each CSU vests, the participant will become entitled to receive a share of the Company's common stock and the CSU will be canceled.

The following table summarizes CSUs activity under the Plan as of December 31, 2009, and changes during the year then ended:

Nonvested Common Stock Units	Shares (In thousands)	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2009	77	\$ 16.99
Granted	26	\$ 19.69
Vested	(26)	\$ 15.44
Forfeited or expired	(9)	\$ 18.61
Nonvested at December 31, 2009	68	\$ 18.37

As of December 31, 2009, there was \$0.3 million of total unrecognized compensation costs, net of estimated forfeitures, related to nonvested CSUs granted under the Plan. This cost is expected to be recognized over a weighted-average period of 1.7 years. The fair value of the CSUs that vested during the years ended December 31, 2009 and 2008 were \$0.4 million and \$0.2 million as of the vesting dates, respectively (not material in 2007). 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.

2004 Non-Employee Director Fee Plan — The Company's 2004 Non-Employee Director Fee Plan (the "2004 Fee Plan"), which is shareholder-approved, replaced and superseded the 1996 Non-Employee Director Fee Plan (the

“1996 Fee Plan”) and was used in lieu of the 2004 Nonemployee Director Stock Option Plan (the “2004 Stock Option Plan”). Prior to amendments adopted by the Board of Directors in August 2008 which are described below, the 2004 Fee Plan provided that all new non-employee directors joining the Board would receive an initial grant of common stock units (“CSUs”) on the date the new director is appointed or elected, the number of which will be determined by dividing a dollar amount to be determined from time to time by the Board (\$30,000 in 2008) by an amount equal to 110% of the average closing prices of the Company’s common stock for the five trading days prior to the date the director is elected. A CSU is a bookkeeping entry on the Company’s books that records the equivalent of one share of common stock. Prior to amendments to the 2004 Fee Plan adopted by the Board of Directors in March 2008 which are described below, the initial grant of CSUs vested in three equal installments, one-third on the date of each of the following three annual shareholders’ meetings, and all unvested and unearned CSUs automatically vested upon the termination of a director’s service as a director, whether by reason of death, retirement, resignation, removal or failure to be reelected at the end of his or her term.

In March 2008, the 2004 Fee Plan was amended by the Board, upon the recommendation of the Compensation and Human Resource Development Committee, to provide that, beginning with grants in 2008, instead of an award of CSUs, a new non-employee director would receive an award of shares of common stock. The initial grant of stock to directors joining the Board would vest and be earned in twelve equal quarterly installments over the following three years, and all unvested and unearned stock will lapse in the event the person ceases to serve as a director of the Company. Until a quarterly installment of stock vests and becomes payable, the director has none of the rights of a shareholder with respect to the unearned stock grants. In August 2008, upon the recommendation of the Compensation and Human Resource Development Committee, the Board of Directors amended the 2004 Fee Plan to provide that the initial grant of shares to directors joining the Board will be the number determined by dividing \$60,000 by an amount equal to the closing price of the Company’s common stock on the day preceding the new director’s election. The increase in the amount of the share award was approved by the shareholders at the 2009 Annual Shareholders Meeting.

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 amount of which shall be determined from time to time by the Board. Prior to the August 2008 amendments to the 2004 Fee Plan, the annual retainer was \$50,000, which was paid 75% in CSUs (\$37,500) and 25% in cash (\$12,500). The number of CSUs to be granted was determined by dividing the amount of the annual retainer by an amount equal to 105% of the average of the closing prices for the Company’s common stock on the five trading days preceding the award date (the day after the annual meeting). Prior to the March 2008 amendments to the 2004 Fee Plan, the annual retainer grant of CSUs vested in two equal installments, one-half on the date of each of the following two annual shareholders’ meetings, and all CSUs automatically vested upon the termination of a director’s service as a director, whether by reason of death, retirement, resignation, removal or failure to be reelected at the end of his or her term.

As part of the amendments to the 2004 Fee Plan in March 2008, the 2004 Fee Plan was amended to provide that, beginning with grants in 2008, the annual retainer grants of stock to directors would vest and be earned in eight equal quarterly installments, with the first installment being made on the day following the annual meeting of shareholders, and the remaining seven installments to be made on each third monthly anniversary of such date thereafter. In the event a person ceases to serve as a director of the Company, the award lapses with respect to all unvested stock, and such unvested stock is forfeited.

In August 2008, as part of the amendments to the 2004 Fee Plan, the 2004 Fee Plan was amended to increase the amount and alter the form of the annual retainer award. The equity portion of the award is now payable in shares of common stock, rather than CSUs, and the number of shares to be issued is now determined by dividing the dollar amount of the annual retainer to be paid in shares by an amount equal to the closing price of a share of the Company’s common stock on the date of the Company’s annual meeting of shareholders. Effective retroactively to May 2008, the cash portion of the annual retainer was increased from \$12,500 to \$32,500, and as approved by the shareholders at the 2009 Annual Shareholders Meeting, the equity portion of the annual retainer award was increased from \$37,500 to \$45,000. This resulted in the annual retainer award being set at \$77,500, effective as of May 22, 2008.

In addition to the annual retainer award, the 2004 Fee Plan also provides for additional annual cash awards to non-employee directors who serve on board committees. These annual cash awards for committee members also were increased in August 2008, effective retroactively to May 2008. The additional annual cash award for the Chairperson of the Audit Committee was increased from \$10,000 to \$20,000, and Audit Committee members’ awards were increased from a per meeting fee of \$1,250 to an annual fee award of \$10,000. The annual cash awards

for the Chairpersons of the Compensation and Human Resource Development Committee, Finance Committee and Nominating and Corporate Governance Committee were each increased from \$5,000 to \$12,500, and the awards for members of such committees were increased from a per meeting fee of \$1,250 to an annual award of \$7,500. The additional annual cash award in the amount of \$100,000 for a non-employee Chairman of the Board was not changed. These additional cash awards also vest in eight equal quarterly installments, one-eighth on the day following the annual meeting of shareholders, and one eighth on each third monthly anniversary of such date thereafter, and the award lapses with respect to all unpaid cash in the event the non-employee director ceases to be a director of the Company, and such unvested cash is forfeited.

The weighted-average grant-date fair value of common stock units and share awards granted during 2009, 2008 and 2007 was \$16.76, \$20.11 and \$19.19, respectively.

The following table summarizes the status of the nonvested CSUs and share awards under the 2004 Fee Plan as of December 31, 2009 and for the year then ended:

Nonvested Common Stock Units / Share Awards	Shares (In thousands)	Weighted- Average Grant-Date Fair Value
Nonvested at January 1, 2009	20	\$ 19.69
Granted	31	\$ 16.76
Vested	(18)	\$ 19.64
Forfeited or expired	-	\$ -
Nonvested at December 31, 2009	33	\$ 16.98

CSUs and share awards that vested during the years ended December 31, 2009, 2008 and 2007 had a fair value of \$0.3 million, \$0.5 million and \$0.7 million, respectively.

Compensation expense for CSUs granted after the adoption of ASC 718 on January 1, 2006 and before the 2004 Fee Plan amendment in March 2008 (as discussed above), is recognized immediately on the date of grant since these grants automatically vest upon termination of a Director's service, whether by death, retirement, resignation, removal or failure to be reelected at the end of his or her term. However, compensation expense for CSUs granted before adoption of ASC 718 is recognized over the requisite service period, or "nominal" vesting period of two to three years using the intrinsic value method. Compensation expense related to CSUs granted before adoption of ASC 718 was \$0.1 million for the years ended December 31, 2007 (none in 2009 and 2008). As of December 31, 2009, there was no unrecognized compensation cost, net of estimated forfeitures, which relates to nonvested CSUs granted under the 2004 Fee Plan before adoption of ASC 718. As of December 31, 2009, there was \$0.6 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 1.0 year.

Deferred Compensation Plan — The Company's non-qualified Deferred Compensation Plan (the "Deferred Compensation Plan"), which is not shareholder-approved, was adopted by the Board of Directors effective December 17, 1998 and amended on March 29, 2006 and May 23, 2006. It 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. Using the Company's common stock, the Company matches 50% of the amounts deferred by certain senior management participants on a quarterly basis up to a total of \$12,000 per year for the president and senior vice presidents and \$7,500 per year for vice presidents (participants below the level of vice president are not eligible to receive matching contributions from the Company). Matching contributions and the associated earnings vest over a seven year service period. Deferred compensation amounts used to pay benefits, which are held in a rabbi trust, include investments in various mutual funds and shares of the Company's common stock (See Note 9 - Investments Held in Rabbi Trust.) As of December 31, 2009 and 2008, liabilities of \$2.4 million and \$1.4 million, respectively, of the Deferred Compensation Plan were recorded in "Accrued employee compensation and benefits" in the accompanying Consolidated Balance Sheets.

Additionally, the Company's common stock match associated with the Deferred Compensation Plan, with a carrying value of approximately \$0.8 million and \$0.6 million at December 31, 2009 and 2008, respectively, is included in "Treasury Stock" in the accompanying Consolidated Balance Sheets.

The weighted-average grant-date fair value of common stock awarded during 2009, 2008 and 2007 was \$17.77, \$18.33 and \$18.12, respectively.

The following table summarizes the status of the nonvested common stock issued under the Deferred Compensation Plan as of December 31, 2009 and for the year then ended:

Nonvested Common Stock	Shares (In thousands)	Weighted- Average Grant-Date Fair Value
Nonvested at January 1, 2009	5	\$ 16.35
Granted	10	\$ 17.77
Vested	(9)	\$ 18.14
Forfeited or expired	-	\$ -
Nonvested at December 31, 2009	6	\$ 17.76

As of December 31, 2009, there was \$0.1 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested common stock awarded under the Deferred Compensation Plan. This cost is expected to be recognized over a weighted-average period of 4.0 years. The total fair value of the common stock vested during 2009, 2008 and 2007 was \$0.2 million, \$0.2 million and \$0.2 million, respectively.

Cash used to settle the Company's obligation under the Deferred Compensation Plan was \$0.1 million for the year ended December 31, 2007 (none in 2009 and 2008).

Note 24. Segments and Geographic Information

The Company operates within two regions, the "Americas" and "EMEA" which represented 70.6% and 29.4%, respectively, of consolidated revenues for 2009. The Americas and EMEA regions represented 67.4% and 32.6%, respectively, of consolidated revenues for 2008, and 68.0% and 32.0%, respectively, of consolidated revenues for 2007. 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 region 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 years ended December 31, 2009, 2008 and 2007 is as follows (in thousands):

	Americas	EMEA	Other ⁽¹⁾	Consolidated Total
Years Ended December 31, 2009				
Revenues	\$ 597,490	\$ 248,551		\$ 846,041
Depreciation and amortization	\$ 23,191	\$ 5,132		\$ 28,323
Income (loss) from operations	\$ 98,494	\$ 15,130	\$ (43,501)	\$ 70,123
Other expense, net			(794)	(794)
Provision for income taxes			(26,118)	(26,118)
Net income				<u>\$ 43,211</u>
Years Ended December 31, 2008				
Revenues	\$ 551,761	\$ 267,429		\$ 819,190
Depreciation and amortization	\$ 22,885	\$ 5,080		\$ 27,965
Income (loss) from operations	\$ 85,383	\$ 21,178	\$ (40,853)	\$ 65,708
Other income, net			16,274	16,274
Provision for income taxes			(21,421)	(21,421)
Net income				<u>\$ 60,561</u>
Years Ended December 31, 2007				
Revenues	\$ 482,823	\$ 227,297		\$ 710,120
Depreciation and amortization	\$ 20,706	\$ 4,529		\$ 25,235
Income (loss) from operations	\$ 77,980	\$ 13,396	\$ (40,196)	\$ 51,180
Other income, net			2,871	2,871
Provision for income taxes			(14,192)	(14,192)
Net income				<u>\$ 39,859</u>

⁽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 years in the period ended December 31, 2009. The accounting policies of the reportable segments are the same as those described in Note 1, Summary of Accounting Policies, to the accompanying consolidated financial statements. 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.

During 2009, total consolidated revenues included \$111.3 million, or 13.2% of consolidated revenues for 2009, from AT&T Corporation, a major provider of communication services for which the Company provides various customer support services, compared to \$54.5 million, or 6.7% for 2008. This included \$102.1 million in revenue from the Americas and \$9.2 million in revenue from EMEA for 2009 and \$44.8 million in revenue from the Americas and \$9.7 million in revenue from EMEA for 2008. The Company's top ten clients accounted for approximately 46% of its consolidated revenues in 2009, an increase from 40% in 2008. The loss of (or the failure to retain a significant amount of business with) any of the Company's key clients could have a material adverse effect on its performance. Many of the Company's contracts contain penalty provisions for failure to meet minimum service levels and are cancelable by the client at any time or on short notice. Also, clients may unilaterally reduce their use of the Company's services under its contracts without penalty.

Information about the Company's operations by geographic location is as follows (in thousands):

	Years Ended December 31,		
	2009	2008	2007
Revenues (1) :			
United States	\$ 139,023	\$ 107,504	\$ 82,880
Argentina	44,903	50,544	36,723
Canada	101,064	103,551	110,472
Costa Rica	77,528	62,147	59,325
El Salvador	30,770	29,008	22,341
Philippines	182,095	184,649	161,684
Other	22,107	14,358	9,398
Total Americas	<u>597,490</u>	<u>551,761</u>	<u>482,823</u>
Germany	73,249	74,643	60,389
United Kingdom	49,872	64,943	65,874
Sweden	27,905	36,053	24,707
Spain	44,221	33,291	21,156
The Netherlands	21,284	24,250	18,702
Hungary	9,653	13,125	15,230
Other	22,367	21,124	21,239
Total EMEA	<u>248,551</u>	<u>267,429</u>	<u>227,297</u>
Total	<u>\$ 846,041</u>	<u>\$ 819,190</u>	<u>\$ 710,120</u>

	Years Ended December 31,		
	2009	2008	2007
Long-lived assets (2) :			
United States	\$ 34,365	\$ 32,369	\$ 21,907
Argentina	5,539	8,964	11,067
Canada	7,179	8,475	10,599
Costa Rica	5,522	4,876	4,395
El Salvador	3,777	4,183	4,162
Philippines	8,717	9,992	16,334
Other	3,644	2,614	2,133
Total Americas	<u>68,743</u>	<u>71,473</u>	<u>70,597</u>
Germany	2,184	2,864	2,886
United Kingdom	5,511	5,078	5,904
Sweden	895	1,071	732
Spain	1,902	894	751
The Netherlands	443	794	777
Hungary	729	1,058	2,005
Other	1,948	1,744	1,568
Total EMEA	<u>13,612</u>	<u>13,503</u>	<u>14,623</u>
Total	<u>\$ 82,355</u>	<u>\$ 84,976</u>	<u>\$ 85,220</u>

(1) Revenues are attributed to countries based on location of customer, except for revenues for Costa Rica, Philippines, China and India which are primarily comprised of customers located in the U.S., but serviced by centers in those respective geographic locations.

(2) Long-lived assets include property and equipment, net, and intangibles, net.

	Years Ended December 31,		
	2009	2008	2007
Goodwill:			
Total Americas	\$ 21,209	\$ 23,191	\$ 22,468
Total EMEA	-	-	-
Total	<u>\$ 21,209</u>	<u>\$ 23,191</u>	<u>\$ 22,468</u>

Revenues for the Company's products and services are as follows (in thousands):

	Years Ended December 31,		
	2009	2008	2007
Outsourced customer contract management services	\$ 819,529	\$ 788,130	\$ 679,364
Fulfillment services	17,376	20,556	21,651
Enterprise support services	9,136	10,504	9,105
Total deferred provision for income taxes	<u>\$ 846,041</u>	<u>\$ 819,190</u>	<u>\$ 710,120</u>

Note 25. Related Party Transactions

The Company paid John H. Sykes, the founder, former Chairman and Chief Executive Officer and current significant shareholder of the Company and the father of Charles Sykes, President and Chief Executive Officer of the Company, \$0.2 million and \$0.2 million, for the use of his private jet in the years 2008 and 2007, respectively, which is based on two times fuel costs and other actual costs incurred for each trip (less than \$0.1 million in 2009).

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 Sykes, the Company's founder, former Chairman and Chief Executive Officer, and a current major stockholder. 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 \$0.4 million and \$0.4 million to the landlord during the year ended December 31, 2009 and 2008, respectively, under the terms of the lease (none in 2007.)

Additionally, during 2008 (none in 2009 and 2007), the Company paid \$0.3 million for transitional real estate consulting services provided by David Reule, the Company's former Senior Vice President of Real Estate who retired in December, 2007. During 2008, Mr. Reule was employed by JHS Equity, LLC, a company owned by John H. Sykes. Accordingly, the payments for Mr. Reule's services were made to JHS Equity, LLC to reimburse it for the time spent by Mr. Reule on the Company's business.

Note 26. Subsequent Event

On February 2, 2010, the Company completed its acquisition of ICT through a merger of ICT with and into a subsidiary of the Company, as a result of which each of the outstanding shares of ICT was converted into the right to receive \$7.69 in cash (without interest) and 0.3423 of a share of SYKES common stock. 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. Pursuant to Federal income tax regulations, the ICT acquisition was considered to be a non-taxable transaction; therefore, no amount of goodwill resulting from this acquisition will be deductible for tax purposes.

ICT provides outsourced customer management and business process outsourcing solutions. ICT's primary operations are located in the United States, Canada, Europe, Latin America, India, Australia and the Philippines. The acquisition of ICT reflects the Company's desire to expand its global delivery footprint through the addition of new delivery geographies and markets, along with deeper expertise in key verticals. The acquisition also strengthens the Company's competitive position, sustains a strong balance sheet and increases the opportunity for sustained long-term operating margin expansion by leveraging general and administrative expenses over a larger revenue base.

The acquisition was funded through borrowings consisting of a \$75 million short-term loan due March 31, 2010 and a \$75 million Term Loan due in varying installments through February 1, 2013. See Note 16 – Borrowings for further information.

The Company will account for the acquisition under ASC 805, *Business Combinations*. ICT's results of operations will be included in the consolidated financial statements for periods ending after February 2, 2010, the acquisition date. Given the date of the acquisition, the Company has not completed the valuation of assets acquired and liabilities assumed which is in process. The Company anticipates providing a preliminary purchase price allocation, qualitative description of factors that make up goodwill to be recognized, and supplemental pro forma financial information on Form 10-Q to be filed on or before May 17, 2010.

Transaction costs of \$3.3 million are included in "General and administrative" costs in the accompanying Consolidated Statement of Operations for 2009.

Schedule II — Valuation and Qualifying Accounts

Years ended December 31, 2009, 2008 and 2007

(in thousands)	<i>Balance at Beginning of Period</i>	<i>Charged (Credited) to Cost and Expenses</i>	<i>(Additions) Deductions</i>	<i>Beginning Balance of Acquired Company</i>	<i>Balance at End of Period</i>
Allowance for doubtful accounts:					
<i>Year ended December 31, 2009</i>	\$ 3,071	\$ 1,022	\$ (563) ⁽¹⁾	\$ -	\$ 3,530
Year ended December 31, 2008	2,813	554	(296) ⁽¹⁾	-	3,071
Year ended December 31, 2007	2,534	407	(128) ⁽¹⁾	-	2,813
Valuation allowance for net deferred tax assets:					
<i>Year ended December 31, 2009</i>	\$ 30,618	\$ 1,508	\$ -	\$ -	\$ 32,126
Year ended December 31, 2008	34,023	(3,405)	-	-	30,618
Year ended December 31, 2007	35,267	(1,244)	-	-	34,023
Reserves for value added tax receivables:					
<i>Year ended December 31, 2009</i>	\$ 1,853	\$ 536	\$ (508)	\$ -	\$ 1,881
Year ended December 31, 2008	2,275	592	(1,014)	-	1,853
Year ended December 31, 2007	994	1,452	(171)	-	2,275

⁽¹⁾ Net write-offs and recoveries

(This page intentionally left blank)

(This page intentionally left blank)

Board of Directors

Paul L. Whiting

Chairman of the Board
Chief Executive Officer (retired)
Spalding & Evenflo

Charles E. Sykes

Director (Principal Executive Officer)
President and Chief Executive Officer
Sykes Enterprises, Incorporated

Mark C. Bozek

Director
Chief Executive Officer
Galgos Entertainment LLC

Furman P. Bodenheimer, Jr.

Director
Chairman and Chief Executive Officer
Zickgraf Enterprises, Inc.

Lt. Gen. Michael P. DeLong (retired)

Director
Vice President Middle East & Africa
International Business Development
Defense Space & Security
The Boeing Company

H. Parks Helms, Esq.

Director
President and Managing Partner for
Helms, Henderson & Associates, P.A.

Iain A. MacDonald

Director
Chairman and Director of Yakara, plc
Director of Northern AIM VCT plc
Member of the Board of Scottish Enterprise,
the Scottish Government's Economic
Development Agency
Member of the Scottish Industrial
Development Advisory Board

James S. MacLeod

Director
Director, President and
Chief Operating Officer,
CoastalStates Bank
Executive Vice President and Director of
CoastalSouth Bancshares, Inc.

Linda F. McClintock-Greco

Director
President and Chief Executive Officer
Ageless Medicine LLC

William J. Meurer

Director
Private Financial Consultant
Director of Eagle Family of Funds
Director of Walter Investment
Management Corporation
Managing Partner (retired) for Arthur
Anderson's Central Florida Operations

James (Jack) K. Murray, Jr.

Director
Chairman,
Murray Corporation

Corporate Information

Corporate Headquarters
400 North Ashley Drive, Suite 2800
Tampa, FL USA 33602
(813) 274-1000
Fax (813) 273-0148
www.sykes.com

Independent Auditors

Deloitte & Touche LLP
201 E. Kennedy Boulevard
Suite 1200
Tampa, FL USA 33602

Registrar and Transfer Agent

Computershare
P.O. Box 43078
Providence, RI 02940-3078
(800) 962-4284
SYKES' shares trade on
The NasdaqGS Stock Market under
the symbol "SYKE"

Annual Meeting

SYKES' annual meeting of
shareholders will be held at:
9:00 a.m. (ET)
Monday, May 10, 2010
The meeting will be held at:
Sheraton Tampa Riverwalk Hotel
200 North Ashley Drive
Tampa, Florida 33602
Phone: (813) 223-2222

Investor Information

Quarterly Reports on Form 10-Q
and the Form 10-K Annual Report
filed with the Securities and Exchange
Commission are available on the
Company's website at
<http://investor.sykes.com>
or upon written request to SYKES'
Investor Relations department in
Tampa, Florida, or by contacting:
Subhaash Kumar
Vice President, Investor Relations
(813) 274-1000

Principal Officers

Charles E. Sykes

President and Chief Executive Officer

W. Michael Kipphut

Senior Vice President and
Chief Financial Officer

James C. Hobby

Senior Vice President,
Global Operations

Jenna R. Nelson

Senior Vice President,
Human Resources

Daniel L. Hernandez

Senior Vice President,
Global Strategy

Lawrence (Lance) R. Zingale

Senior Vice President,
Global Sales and
Client Management

David L. Pearson

Senior Vice President and
Chief Information Officer

James T. Holder

Senior Vice President,
General Counsel
and Corporate Secretary

William N. Rocktoff

Vice President and
Corporate Controller

SYKES

Real People. Real Solutions.

Sykes Enterprises, Incorporated

400 North Ashley Drive

Suite 2800

Tampa, Florida 33602-5089

USA 1-800-867-9537

Intl. +1-813-274-1000

www.sykes.com