SYKES ENTERPRISES INC
Form DEF 14A
April 25, 2005

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

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Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material under Rule 14a-12

Sykes Enterprises, Incorporated

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(3) Filing Party:

(4) Date Filed:

400 North Ashley Drive
Tampa, Florida 33602

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 24, 2005

To the Shareholders of Sykes Enterprises, Incorporated:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the Annual Meeting) of Sykes Enterprises, Incorporated (the Company) will be held at the Tampa Marriott Waterside, 700 South Florida Avenue, Tampa, Florida, on Tuesday, May 24, 2005, at 9:00 a.m., Eastern Daylight Savings Time, for the following purposes:

1. To elect 4 directors to hold office until the 2008 Annual Meeting of Shareholders and 1 director to hold office until the 2006 Annual Meeting of Shareholders;

2. To approve the 2004 Non-Employee Director Fee Plan;

3. To approve the acceleration of the vesting of stock options held by certain Non-Employee Directors; and

4. To transact any other business as may properly come before the Annual Meeting.

Only shareholders of record as of the close of business on April 18, 2005, will be entitled to vote at the Annual Meeting or any adjournment or postponement of the Annual Meeting. Information relating to the matters to be considered and voted on at the Annual Meeting is set forth in the proxy statement accompanying this Notice.

By Order of the Board of Directors,

James T. Holder
Secretary

April 19, 2005

YOUR VOTE IS IMPORTANT

To assure your representation at the Annual Meeting, please vote on the matters to be considered at the Annual Meeting by completing the enclosed proxy and mailing it promptly in the enclosed envelope. If your shares are held in street name by a brokerage firm, bank or other nominee, the nominee will supply you with a proxy card to be returned to it. It is important that you return the proxy card as quickly as possible so that the nominee may vote your shares. If your shares are held in street name by a nominee, you may not vote such shares in person at the Annual Meeting unless you obtain a power of attorney or legal proxy from such nominee authorizing you to vote the shares, and you present this power of attorney or proxy at the Annual Meeting.

400 North Ashley Drive
Tampa, Florida 33602

PROXY STATEMENT
FOR
2005 ANNUAL MEETING OF SHAREHOLDERS

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Sykes Enterprises, Incorporated (the Company) for the Annual Meeting of Shareholders (the Annual Meeting) to be held at the Tampa Marriott Waterside, 700 South Florida Avenue, Tampa, Florida, on Tuesday, May 24, 2005, at 9:00 a.m., Eastern Daylight Savings Time, or any adjournment or postponement of the Annual Meeting.

This Proxy Statement and the annual report to shareholders of the Company for the year ended December 31, 2004, are first being mailed on or about April 23, 2005, to shareholders entitled to vote at the Annual Meeting.

SHAREHOLDERS ENTITLED TO VOTE

The record date for the Annual Meeting is April 18, 2005. Only shareholders of record as of the close of business on the record date are entitled to notice of the Annual Meeting and to vote at the Annual Meeting. As of the record date, 40,218,467 shares of common stock were outstanding and entitled to vote at the Annual Meeting.

Votes cast by proxy or in person at the Annual Meeting will be tabulated by the inspector of elections appointed for the Annual Meeting, who will also determine whether a quorum is present for the transaction of business. The Company s Bylaws provide that a quorum is present if the holders of a majority of the issued and outstanding shares of common stock entitled to vote at the meeting are present in person or represented by proxy. At the Annual Meeting, if a quorum exists, Directors will be elected by a plurality of the votes cast in the election, and the approval of each of Proposals 2 and 3 will require the affirmative vote of a majority of the votes cast on the Proposal. Abstentions will be counted as shares that are present and entitled to vote for purposes of determining whether a quorum is present, and will count as votes against Proposals 2 and 3. Shares held by nominees for beneficial owners will also be counted for purposes of determining whether a quorum is present if the nominee has the discretion to vote on at least one of the matters presented, even though the nominee may not exercise discretionary voting power with respect to other matters and even though voting instructions have not been received from the beneficial owner (a broker non-vote). Broker non-votes will not be counted as votes cast in determining whether a Proposal has been approved.

Shareholders are requested to vote by completing the enclosed Proxy and returning it signed and dated in the enclosed postage-paid envelope. Shareholders are urged to indicate their votes in the spaces provided on the Proxy. Proxies solicited by the Board of Directors of the Company will be voted in accordance with the directions given in the Proxy. Where no instructions are indicated, signed Proxies will be voted FOR each of the proposals listed in the Notice of Annual Meeting of Shareholders. Returning your completed Proxy will not prevent you from voting in person at the Annual Meeting, should you be present and wish to do so.

Any shareholder giving a Proxy has the power to revoke it at any time before it is exercised by:

filing with the Secretary of the Company written notice of revocation,

submitting a duly executed Proxy bearing a later date than the previous Proxy, or

appearing at the Annual Meeting and voting in person.

Proxies solicited by this Proxy Statement may be exercised only at the Annual Meeting and any adjournment of the Annual Meeting and will not be used for any other meeting. Proxies solicited by this Proxy Statement will be returned to the Board of Directors and will be tabulated by an inspector of elections designated by the Board of Directors.

The cost of solicitation of Proxies by mail on behalf of the Board of Directors will be borne by the Company. Proxies also may be solicited by personal interview or by telephone by directors, officers, and other employees of the Company without additional compensation. The Company also has made arrangements with brokerage firms, banks, nominees, and other fiduciaries that hold shares on behalf of others to forward proxy solicitation materials to the beneficial owners of such shares. The Company will reimburse such record holders for their reasonable out-of-pocket expenses.

PROPOSAL 1:
ELECTION OF DIRECTORS

The Company s Board of Directors currently is comprised of 11 individuals, and is divided into three classes (designated CLASS I, CLASS II, and CLASS III), as nearly equal in number as possible, with each class serving a three-year term expiring at the third annual meeting of shareholders after its election. The term of the four current CLASS I directors will expire at the Annual Meeting. The Company s Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee, has nominated H. Parks Helms and Dr. Linda McClintock-Greco to stand for re-election as CLASS I directors, and has further nominated James K. Murray, Jr. and James S. MacLeod for election to the Board at the Annual Meeting to fill the remaining two seats as members of CLASS I, whose terms will all expire at the 2008 Annual Meeting of Shareholders.

Additionally, the Florida Business Corporation Act requires that any director elected by the Board of Directors to fill a vacancy on the Board must stand for re-election at the next annual meeting of the shareholders. One director, Charles E. Sykes, was elected by the Board since the last annual meeting. The Company s Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee, has nominated Mr. Sykes to stand for election to the Board at the Annual Meeting as a member of Class III, whose term will expire at the 2006 Annual Meeting of Shareholders.

In the event any nominee is unable to serve, the persons designated as proxies will cast votes for such other person in their discretion as a substitute nominee. The Board of Directors has no reason to believe that the nominees named herein will be unavailable or, if elected, will decline to serve.

The Board of Directors recommends the following nominees for election as directors in the Classes specified and urges each shareholder to vote FOR the nominees. Executed proxies in the accompanying form will be voted at the Annual Meeting FOR the election as directors of the nominees named below, unless authority to do so is withheld.

DIRECTORS STANDING FOR ELECTION AT THE 2005 ANNUAL MEETING
CLASS I TERM EXPIRES AT THE 2008 ANNUAL MEETING

Name	Age	Principal Occupation and Other Information
H. Parks Helms	69	H. Parks Helms has served as a director of the Company since its inception in 1977. Mr. Helms is President and Managing Partner of the law firm of Helms, Henderson & Associates, P.A., in Charlotte, North Carolina and has been with the firm, and its predecessor firm, Helms, Cannon, Henderson & Porter, P.A. for more than the past five years. Mr. Helms has held numerous political appointments and elected positions, including as a member of the North Carolina House of Representatives. He currently is Chairman of the Mecklenburg County, North Carolina Board of County Commissioners.
Linda McClintock-Greco, M.D.	50	Linda McClintock-Greco, M.D. was elected to the Board of Directors in May of 1998 and is a member of the Compensation and Human Resource Development Committee. Since 1998, Dr. McClintock-Greco has been the President and Chief Executive Officer of Greco & Assoc. Consulting, a healthcare consulting firm, and in that capacity serves as the vice president of Medical Affairs for Entrusted Healthcare Management Services for the State of Florida. Until 1998, she served as Chief Executive Officer and Chief Medical Officer of Tampa General HealthPlan, Inc. (HealthEase) and had spent the past 11 years in the health care industry as both a private practitioner in Texas and a managed care executive serving as the Regional Medical Director with Humana Health Care Plan. Dr. McClintock-Greco serves on the Board of Directors of the Florida Association of Managed Care Organizations (FAMCO) . Dr. McClintock-Greco also serves on the board of several charitable organizations.

Name	Age	Principal Occupation and Other Information
James K. (Jack) Murray, Jr.	69	During the past fifteen years, James K. Murray, Jr. has served as Chairman of Murray Corporation, a private venture capital enterprise based in Tampa, Florida. In 1970, Mr. Murray was one of the founders of a company that is today HealthPlan Services, Inc. and PlanVista, Inc., which was acquired by The Dun & Bradstreet Corporation (NYSE:DNB) in 1978. From 1978 through 1993, Mr. Murray served in various capacities for Dun & Bradstreet Corporation, including President of Dun & Bradstreet Credit Services, and from 1990 through 1993, served in various capacities including President, principal executive officer and Chairman for the Reuben H. Donnelley Corp., a publisher of telephone yellow pages. In 1994, Mr. Murray and several other financial partners, acquired HealthPlan Services from Dun & Bradstreet. In May, 1995, HealthPlan Services became a public company and was listed on the New York Stock Exchange. Mr. Murray retired from HealthPlan Services in 2000. Mr. Murray currently serves as a Trustee of Berkeley Preparatory School and DaySpring Episcopal Center, and Chairman and Trustee of the St. John s Episcopal Church Foundation, all in Tampa, Florida. Mr. Murray also serves as a member of the Board of The General Theological Seminary in New York City.

Name	Age	Principal Occupation and Other Information
James S. MacLeod	57	James S. MacLeod has served as Managing Director of CoastalStates Bank in Hilton Head, South Carolina since February, 2004. Mr. MacLeod also serves on the Board of Directors of CoastalStates Bank as well as Coastal South Bancshares, its holding company. From June, 1982 to February 2004, he served as Executive Vice President of Mortgage Guaranty Insurance Corp. in Milwaukee, Wisconsin. Mr. MacLeod has a Bachelor of Science degree in economics from the University of Tampa, a Masters of Science in real estate finance from Georgia State University, and a Masters in City Planning from the Georgia Institute of Technology. Mr. MacLeod has served as a member of the Wisconsin Governor s Mortgage Insurance Commission and Governor s and Mayor s Fair Lending Task Force, as well as the Fannie Mae Southeastern Regional Advisory Board. Mr. MacLeod has served as the Skylight Opera Theater s representative to the United Performing Art Fund in Wisconsin, and the Endowment Board of the Providence Presbyterian Church in Hilton Head, South Carolina.

CLASS III TERM EXPIRES AT THE 2006 ANNUAL MEETING

Name	Age	Principal Occupation and Other Information
Charles E. Sykes	42	Charles E. Sykes was elected to the Board of Directors in August, 2004 to fill the vacancy created by the retirement of his father, the Company s founder and former Chairman, John H. Sykes. Mr. Charles Sykes joined the Company in September, 1986 and has served in numerous capacities throughout his years with the Company. Mr. Charles Sykes was appointed as Vice President of Sales, North America in 1999 and between the years of 2000 to 2003 served as Group Executive, Sr. Vice President of Marketing and Global Alliances, and Senior Vice President of Global Operations. Mr. Charles Sykes was appointed President and Chief Operating Officer in July, 2003 and was named President and Chief Executive Officer in August 2004. Mr. Charles Sykes received his Bachelor of Science degree in mechanical engineering from North Carolina State University in 1985. He has served as a Board Member of America s Second Harvest of Tampa since 2004.

DIRECTORS WHOSE TERMS OF OFFICE CONTINUE
CLASS II TERM EXPIRES AT THE 2007 ANNUAL MEETING

Name	Age	Principal Occupation and Other Information
Paul L. Whiting	61	Paul L. Whiting was elected to the Board of Directors in December of 2003 and was elected Chairman in August, 2004. He is also a member of the Board s Audit Committee. Since 1997 Mr. Whiting has been President of Seabreeze Holdings, Inc., a privately held investment company. From 1991 through 1996, Mr. Whiting held various positions within Spalding & Evenflo Companies, Inc., including Chief Executive Officer. Mr. Whiting has held similar high-level finance and administration positions at Questor Corporation, AP Parts Company, Lawrence Systems, Inc., EDAX International, Inc., and American National Bank & Trust Co. of Chicago. Presently, Mr. Whiting is a Director of Tampa Electric, TECO Energy, Inc. and The Tampa Banking Company. Mr. Whiting also serves on the boards of various civic organizations, including, among others, the Academy Prep Center of Tampa, Inc., a full scholarship, private college preparatory middle school for low-income children, where he is the Board President.
Mark C. Bozek	43	Mark C. Bozek was elected to the Board of Directors in August of 2003 and is a member of the Compensation and Human Resource Development Committee. Mr. Bozek is the President of Halo Entertainment, a privately held film production company which he founded in January 2003. From March 1997 until February 2003, Mr. Bozek served as the Chief Executive Officer of Home Shopping Network. From April 1993 until February 1996, Mr. Bozek served as the Vice President of Broadcasting for QVC. Mr. Bozek is an active member of the Young President s Organization and he previously served as a member of the National Retail Federation board for four years.

Name	Age	Principal Occupation and Other Information
Lt. Gen Michael DeLong (Retired)	59	Lt. General Michael DeLong (USMC Retired) was elected to the Board of Directors in September of 2003 and is a member of the Nominating and Corporate Governance Committee. Since November 2003, Lt. Gen. DeLong has served as Vice President of Government Operations at The Shaw Group, Inc. From 1967 until his retirement on November 1, 2003, Lt. Gen. DeLong led a distinguished military career, most recently serving as the Deputy Commander, United States Central Command at Mac Dill Air Force Base, Tampa, Florida. He holds a Master s Degree in Industrial Management from Central Michigan University and an honorary Doctorate in Strategic Intelligence from the Joint Military Intelligence College. Lieutenant General DeLong graduated from the Naval Academy as an Engineer.
Iain A. Macdonald	61	Iain A. Macdonald was elected to the Board of Directors in May of 2004 and is a member of the Audit Committee. During the past 5 years, Mr. Macdonald has served on the boards of a series of technology-based business ventures which he has assisted to develop and obtain funding. He is currently Chairman of Yakara plc, a developer of SMS software solutions and Realise Ltd., an internet systems integrator, both of which are located in Scotland. He is also on the Board of Northern AIM VCT, a Scottish venture capital investment fund. Mr. Macdonald previously served on the Board of Directors of the Company from 1998 to 2001, when he resigned for personal reasons. Prior to joining the Company s Board in 1998, Mr. Macdonald served as a director of McQueen International LTD. from 1996 until its acquisition by the Company.

CLASS III TERM EXPIRES AT THE 2006 ANNUAL MEETING

Name	Age	Principal Occupation and Other Information
Furman P. Bodenheimer, Jr.	75	Furman P. Bodenheimer, Jr. was elected to the Board of Directors in 1991 and is a member of the Compensation and Human Resource Development Committee and the Nominating and Corporate Governance Committee. Mr. Bodenheimer has been President and Chief Executive Officer of Zickgraf Enterprises, Inc. and Nantahala Lumber in Franklin, North Carolina for more than the past five years.
William J. Meurer	61	William J. Meurer was elected to the Board of Directors in October 2000 and is a member and Chairman of the Audit Committee. Previously, Mr. Meurer was employed for 35 years with Arthur Andersen LLP where he served most recently as the Managing Partner for Arthur Andersen s Central Florida operations. Mr. Meurer also serves on the Board of Trustees for St. Joseph s Baptist Health Care and as a member of the Board of Directors of Tribridge, Inc.

PROPOSAL 2:
APPROVAL OF 2004 NON-EMPLOYEE DIRECTOR FEE PLAN

In May 2004, the Board of Directors approved the 2004 Non-Employee Director Fee Plan (the 2004 Fee Plan), subject to shareholder approval at the 2005 Annual Meeting. The Board determined that the 2004 Fee Plan would replace and supercede the 1996 Non-Employee Director Fee Plan (the 1996 Fee Plan), and also would be used in lieu of the 2004 Non-Employee Director Stock Option Plan (the 2004 Option Plan), which was discussed in the Company s proxy materials for the 2004 annual shareholders meeting and approved by the shareholders at the 2004 annual meeting. Therefore, no options have been awarded under the 2004 Option Plan, and none will be awarded under that plan if the 2004 Fee Plan is approved by the shareholders at the Annual Meeting.

The purpose of the 2004 Fee Plan is to secure for the Company and its shareholders the benefits of the incentive inherent in increased ownership of common stock of the Company by members of the Board of Directors who are not employees by providing for the payment of a portion of each non-employee Director s compensation in common stock. It is expected that such ownership will further align the interests of such non-employee Directors with the shareholders of the Company, thereby promoting the long-term profits and growth of the Company, and will encourage such non-employee Directors to remain Directors of the Company and provide them with the benefits of deferring the receipt of some of such compensation. It is also expected that the 2004 Fee Plan will encourage qualified persons to become Directors of the Company.

The 2004 Fee Plan provides that all new non-employee Directors joining the Board 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 (initially set at $30,000) 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 new Director is appointed or elected. The initial grant of CSUs will vest in three equal installments, one-third on the date of each of the following three annual shareholders meetings.

A CSU is a bookkeeping entry on the Company s books that records the equivalent of one share of common stock. On the date each CSU vests, the Director will become entitled to receive a share of the Company s common stock and the CSU will be canceled. For federal income tax purposes, the Director will not be deemed to have received income with respect to the CSUs until the CSUs vest.

Additionally, the 2004 Fee Plan provides that each non-employee Director who was serving as a Director immediately prior to each annual shareholders meeting, and who continues as a Director after the annual meeting, will receive, on the day after the annual 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. The Board increased the amount of the annual retainer from $25,000 under the 1996 Fee Plan to $50,000 under the 2004 Fee Plan. Under the 2004 Fee Plan, the annual retainer will be paid 75% in CSUs and $25% in cash. Previously, the annual retainer was payable one-half in cash and one-half in CSUs. The number of CSUs to be granted under the 2004 Fee Plan will be 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). The annual grant of CSUs will vest in two equal installments, one-half on the date of each of the following two annual shareholders meetings.

All CSUs will automatically vest 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. Until a CSU vests, the Director has none of the rights of a shareholder with respect to the CSU or the common stock underlying the CSU. CSUs are not transferable.

The maximum number of CSUs and shares of the Company s common stock which can be issued under the 2004 Fee Plan is 450,000. The Board of Directors has the ability to amend or terminate the Plan as it deems appropriate. However, no such amendment may be made without shareholder approval if such approval would be required to comply with any applicable law or the listing standards of the stock exchange on which the Company s shares are listed or traded. The adoption of the 2004 Fee Plan does not limit the ability of the Board to provide for additional compensation payable to non-employee Directors for services on behalf of the Board over and above those typically expected of Directors, including serving as Chair of a Board committee.

On May 8, 2004, Iain Macdonald, who was newly elected to the Board at the 2004 annual meeting, received an award of 4,822 CSUs under the 2004 Fee Plan for his initial grant of $30,000 worth of CSUs upon joining the Board, as well as an award of 6,315 CSUs for the $37,500 worth of CSUs payable as part of his annual retainer of $50,000 for the coming year. Mr. Macdonald s 4,822 CSUs relating to his initial award will vest in three equal installments on the dates of the 2005, 2006 and 2007 annual meetings. His 6,315 CSUs relating to his annual retainer award will vest in two equal installments on the dates of the 2005 and 2006 annual meetings.

Also on May 8, 2004, each of the nine non-employee Directors who had been serving on the board prior to the 2004 annual meeting received an award of 4,942 CSUs for $29,349 of their annual retainer of $50,000 for the coming year. This amount is net of the portion of the $25,000 annual retainer paid to these non-employee Directors in CSUs in January 2004 under the 1996 Non-Employee Director Fee Plan, which was in effect until the adoption of the 2004 Fee Plan. Under the 1996 Plan, the annual retainer was paid in advance at the beginning of each calendar year; therefore, a portion of the $12,500 paid to these Directors in January in CSUs, equal to the number of days from May 8, 2004 to December 31, 2004, was applied against the $37,500 worth of CSUs payable under the 2004 Fee Plan on May 8, 2004. These additional CSUs will vest in two equal installments on the dates of the 2005 and 2006 annual meetings.

In all, an aggregate of 55,615 CSUs were awarded to the non-employee Directors on May 8, 2004, under the 2004 Fee Plan.

If the 2004 Fee Plan is not approved by the shareholders at the Annual Meeting, the non-employee Directors will receive the fees provided under the 1996 Fee Plan (subject to the increase in the amount of the annual retainer from $25,000 to $50,000) and the stock options provided for in the 2004 Option Plan, beginning with the award each would receive under that plan on the day following the Annual Meeting. In such event, the Board also has indicated that it would grant to each of the nine non-employee Directors who had been serving on the board prior to the 2004 annual meeting an additional award of stock options to make up for the options that otherwise would have been granted under the 2004 Option Plan on the day after the 2004 annual meeting. Such additional option awards would have an exercise price of $5.75, the fair market value of the shares (as defined in the 2004 Option Plan) as of May 8, 2004, and would vest on the date of grant, as the award of stock options that would have been granted under the 2004 Option Plan on the day after the 2004 annual meeting would have vested on May 8, 2005, one year and one day after the date of the 2004 annual meeting. Also, in such event, the Board has indicated that it would grant to Mr. Iain Macdonald, who was first elected to the Board at the 2004 annual meeting, an additional award of stock options to make up for the options that otherwise would have been granted to him under the 2004 Option Plan on the day of the 2004 annual meeting. Such options would have an exercise price of $5.66, the fair market value of the shares (as defined in the 2004 Option Plan) as of May 7, 2004, and would vest one-third on the date of grant, one-third on May 7, 2006 and one-third on May 7, 2007, as the award of stock options that would have been granted to him the 2004 Option Plan on the day of the 2004 annual meeting would have become exercisable in equal thirds on the first three anniversaries of the date of the 2004 annual meeting.

A copy of the 2004 Fee Plan is attached to this proxy statement as Appendix A.

The Board of Directors recommends the approval of the Plan and urges each shareholder to vote FOR the Plan. Executed proxies in the accompanying form will be voted at the Annual Meeting in favor of the adoption of the amendment unless the proxy is marked otherwise.

PROPOSAL 3:
ACCELERATION OF CERTAIN NON-EMPLOYEE DIRECTOR STOCK OPTIONS

On February 1, 2005, the Compensation Committee of the Board of Directors approved accelerating the vesting of most out-of-the-money, unvested stock options held by current employees, including executive officers, and certain employee Directors. An option was considered out-of-the-money if the stated option exercise price was greater than the closing price, $7.23, of the Company s common stock on the day the Compensation Committee approved the acceleration. With respect to all such stock options, the accelerated vesting was effective as of February 1, 2005. Holders of incentive stock options (within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended) and certain foreign employees were given the opportunity to decline the accelerated vesting in order to prevent changing the status of the incentive stock option for federal income tax purposes to a non-qualified stock option or the restriction of the availability of favorable tax treatment under applicable foreign law.

Additionally, with respect to out-of-the-money, unvested stock options automatically granted to non-employee Directors when they were first elected to the Board and each year thereafter under the 1996 Option

Plan, the Compensation Committee approved the acceleration of all such options effective as of the date of the Annual Meeting, subject to the approval of such accelerated vesting by the shareholders at the Annual Meeting.

The decision to accelerate vesting of these options and eliminate future compensation expense was based on a review of the Company s long-term incentive programs in light of current market conditions and changing accounting rules regarding stock option expensing that the Company must follow beginning January 1, 2006. This accounting rule, entitled *Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-Based Payment* (SFAS 123R), will require that compensation cost related to share-based payment transactions, including stock options, be recognized in the financial statements. It is estimated that the maximum future compensation expense that will be charged to earnings, absent the acceleration of these options, based on the Company s implementation date for SFAS 123R of January 1, 2006, will be approximately $82,197.

The following table summarizes the options subject to acceleration for each non-employee Director:

Name	Number of Options Granted That Would Have Vested in the Future	Date of Original Vesting	Exercise Price
Bozek, Mark C	8,332*	08/04/2006	$ 5.890
DeLong, Michael	8,332	09/15/2006	$ 7.736
Loetz, Gordon H	8,300	03/08/2006	$ 9.200
Whiting, Paul L	8,332	12/10/2006	$ 8.732

*These options will not be accelerated if they are in-the-money on the date of the Annual Meeting.

The 1996 Option Plan is described below under the heading Board of Directors Directors Compensation.

The Board of Directors recommends the approval of the accelerated vesting of these stock options and urges each shareholder to vote FOR the accelerated vesting. Executed proxies in the accompanying form will be voted at the Annual Meeting in favor of the accelerated vesting unless the proxy is marked otherwise.

INDEPENDENT PUBLIC ACCOUNTANTS

The Audit Committee engaged Deloitte & Touche LLP as the Company s principal accountant to audit the 2004 consolidated financial statements of the Company for the year ended December 31, 2004.

The fees charged by Deloitte & Touche LLP for professional services rendered in connection with all audit and non-audit related matters for the year ended December 31, 2004 and December 31, 2003 were as follows:

	2004	2003
Audit Fees(1)	$ 3,382,999(2)	$ 1,000,663
Audit-Related Fees(3)	$ 18,413	$ 674,451(4)
Tax Fees(5)	$ 245,292	$ 451,379
All Other Fees	$ -0-	$ -0-

(1) Fees for audit services in 2004 and 2003 consisted of (a) audits of the Company s annual consolidated financial statements, (b) reviews of the Company s quarterly condensed consolidated financial statements and (c) annual stand alone statutory audits.

(2) Fees for audit services billed in 2004 also included advisory services relating to the audit of the Company s internal control over financial reporting

(3) Fees for audit related services in 2004 and 2003 consisted of (a) audit of employee benefit plans and (b) agreed upon procedures engagements.

(4) Fees for audit related services billed in 2003 also consisted of: (a) SAS 70 and ISO information system reviews, and (b) Sarbanes-Oxley Act, Section 404 advisory services

(5) Fees for tax services consisted of tax compliance and tax consulting services.

As of the date of this Proxy Statement, the Audit Committee has not engaged a firm of independent public accountants to audit and report on the financial statements of the Company for the year ended December 31, 2005. The Audit Committee anticipates that it will engage Deloitte & Touche LLP for such audit work; however, Deloitte & Touche has not yet provided the Committee with an Audit Plan for 2005 or a final draft of an engagement letter with a final fee quote for such work. Representatives of Deloitte & Touche are expected to be present at the Annual Meeting. Those representatives will have the opportunity to make a statement if they so desire and are expected to be available to respond to appropriate questions.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

The Audit Committee s policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent auditors and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis.

Report of the Audit Committee

The Audit Committee consists of three non-employee directors, William J. Meurer, as chairman, Iain A. Macdonald, and Paul L. Whiting. The Committee oversees the Company s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the Annual Report with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed with the Committee under generally accepted auditing standards. The Company s independent accountants provided to the Audit Committee the written disclosure required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as modified or supplemented. In addition, the Audit Committee has discussed with the independent auditors the auditors independence from management and the Company, including the matters in the written disclosures required by the Independence Standards Board, and considered compatibility of non-audit services with the auditors independence.

The Audit Committee discussed with the independent accountants matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as modified or supplemented. The Audit Committee also discussed with the Company s internal and independent auditors the overall scope and plans for their respective audits. The Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company s internal controls, and the overall quality of the Company s financial reporting. The Audit Committee held 10 meetings during 2004.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Company s Board of Directors, and the Board has approved, the inclusion of the audited financial statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2004, to be filed with the Securities and Exchange Commission.

AUDIT COMMITTEE
William J. Meurer
Iain A. Macdonald
Paul L. Whiting
April 4, 2005

The information contained in this report 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 Act of 1933 or the Securities Exchange Act of 1934.

BOARD OF DIRECTORS

Directors Compensation

Directors who are executive officers of the Company receive no compensation for service as members of either the Board of Directors or any committees of the Board.

Each non-employee Director receives a cash fee of $1,250 per Board and committee meeting attended, and $500 per telephone conference meeting that lasts at least one hour. Chairpersons of Board committees receive $2,000 per committee meeting attended. Directors also received an ad hoc cash fee of $1,000 per day for extra tasks requested by the Chairman of the Board. A non-employee Chairman of the Board receives an additional annual cash fee of $100,000 for such service.

In addition to the foregoing fees, prior to the approval by the Board of Directors of the 2004 Non-Employee Director Fee Plan (described below) in May 2004, Directors who were not employees of the Company also were compensated under the 1996 Non-Employee Director Fee Plan (the 1996 Fee Plan). Under the 1996 Fee Plan, each non-employee Director was paid (as of the first business day of each calendar year) an annual fee of $25,000, at least half of which was payable in shares of Sykes common stock based on the fair market value of the common stock on the date of payment and the other half of which, at the election of the Director, was payable in shares of common stock or cash.

In addition, under the Amended and Restated 1996 Non-Employee Director Stock Option Plan (the 1996 Option Plan), non-employee Directors received options to purchase 25,000 shares of common stock upon their initial election to the Board and options to purchase 10,000 shares of common stock annually thereafter. As of the beginning of 2004, the maximum number of options for shares of common stock issuable under the 1996 Option Plan had been reached, and the Board of Directors approved a replacement plan, the 2004 Non-Employee Director Stock Option Plan (the 2004 Option Plan), subject to shareholder approval at the 2004 annual meeting. The terms and provisions of the 2004 Option Plan were substantially identical to those of the 1996 Option Plan.

2004 Non-Employee Director Fee Plan

In May 2004, the Board of Directors approved the 2004 Non-Employee Director Fee Plan (the 2004 Fee Plan), subject to shareholder approval at the 2005 Annual Meeting. The Board determined that the 2004 Fee Plan would replace and supersede the 1996 Non-Employee Director Fee Plan (the 1996 Fee Plan), and also would be used in lieu of the 2004 Non-Employee Director Stock Option Plan (the 2004 Option Plan), which was discussed in the Company s proxy materials for the 2004 annual shareholders meeting and approved by the shareholders at the 2004 annual meeting. Therefore, no options have been awarded under the 2004 Option Plan, and none will be awarded under that plan if the 2004 Fee Plan is approved by the shareholders at the Annual Meeting. Compensation of non-employee Directors under the 2004 Fee Plan will be in addition to the cash compensation described above in the second paragraph under the heading Directors Compensation.

The 2004 Fee Plan provides that all new non-employee Directors joining the Board will 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 (initially set at $30,000) 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 new Director is appointed or elected. The initial grant of CSUs will vest in three equal installments, one-third on the date of each of the following three annual shareholders meetings. A CSU is a bookkeeping entry on the Company s books that records the equivalent of one share of common stock. On the date each CSU vests, the Director will become entitled to receive a share of the Company s common stock and the CSU will be canceled.

Additionally, the new Plan provides that each non-employee Director who was serving as a Director immediately prior to each annual shareholders meeting will receive, on the day after the annual 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. The Board increased the amount of the annual retainer from $25,000 to $50,000. Under the 2004 Fee Plan, the annual retainer will be paid 75% in CSUs and $25% in cash. Previously, the annual retainer was payable one-half in cash and one-half in CSUs. The number of CSUs to be granted under the 2004 Fee Plan will be 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). The annual grant of CSUs will vest in two equal installments, one-half on the date of each of the following two annual shareholders meetings.

All CSUs will automatically vest 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. Until a CSU vests, the Director has none of the rights of a shareholder with respect to the CSU or the common stock underlying the CSU. CSUs are not transferable.

On May 8, 2004, Iain Macdonald, who was newly elected to the Board at the 2004 annual meeting, received an award of 4,822 CSUs under the 2004 Fee Plan for his initial grant of $30,000 worth of CSUs upon joining the Board, as well as an award of 6,315 CSUs for the $37,500 worth of CSUs payable as part of his annual retainer of $50,000 for the coming year. Mr. Macdonald s 4,822 CSUs relating to his initial award will vest in three equal installments on the dates of the 2005, 2006 and 2007 annual meetings. His 6,315 CSUs relating to his annual retainer award will vest in two equal installments on the dates of the 2005 and 2006 annual meetings.

Also on May 8, 2004, each of the nine non-employee Directors who had been serving on the board prior to the 2004 annual meeting received an award of 4,942 CSUs for $29,349 of their annual retainer of $50,000 for the coming year. This amount is net of the portion of the $25,000 annual retainer paid to these non-employee Directors in CSUs in January 2004 under the 1996 Non-Employee Director Fee Plan, which was in effect until the adoption of the 2004 Fee Plan. Under the 1996 Plan, the annual retainer was paid in advance at the beginning of each calendar year; therefore, a portion of the $12,500 paid to these Directors in January in CSUs, equal to the number of days from May 8, 2004 to December 31, 2004, was applied against the $37,500 worth of CSUs payable under the 2004 Fee Plan on May 8, 2004. These additional CSUs will vest in two equal installments on the dates of the 2005 and 2006 annual meetings.

In all, an aggregate of 55,615 CSUs were awarded to the non-employee Directors on May 8, 2004, under the 2004 Fee Plan.

If the 2004 Fee Plan is not approved by the shareholders at the Annual Meeting, the non-employee Directors will receive the fees provided under the 1996 Fee Plan (subject to the increase in the amount of the annual retainer from $25,000 to $50,000) and the stock options provided for in the 2004 Option Plan, beginning with the award each would receive under that plan on the day following the Annual Meeting. In such event, the Board also has indicated that it would grant to each of the nine non-employee Directors who had been serving on the board prior to the 2004 annual meeting an additional award of stock options to make up for the options that otherwise would have been granted under the 2004 Option Plan on the day after the 2004 annual meeting. Such additional option awards would have an exercise price of $5.75, the fair market value of the shares (as defined in the 2004 Option Plan) as of May 8, 2004, and would vest on the date of grant, as the award of stock options that would have been granted under the 2004 Option Plan on the day after the 2004 annual meeting would have vested on May 8, 2005, one year and one day after the date of the 2004 annual meeting. Also, in such event, the Board has indicated that it would grant to Mr. Iain Macdonald, who was first elected to the Board at the 2004 annual meeting, an additional award of stock options to make up for the options that otherwise would have been granted to him under the 2004 Option Plan on the day of the 2004 annual meeting. Such options would have an exercise price of $5.66, the fair market value of the shares (as defined in the 2004 Option Plan) as of May 7, 2004, and would vest one-third on the date of grant, one-third on May 7, 2006 and one-third on May 7, 2007, as the award of stock options that would have been granted to him the 2004 Option Plan on the day of the 2004 annual meeting would have become exercisable in equal thirds on the first three anniversaries of the date of the 2004 annual meeting.

Certain Relationships and Related Transactions

During the year ended December 31, 2004 the Company paid $591,822 to JHS Leasing of Tampa, Inc., an entity owned by Mr. John H. Sykes, former Chairman of the Board and Chief Executive Officer, for the use of its corporate aircraft.

Director Independence, Committees of the Board of Directors and Meeting Attendance

In April, 2005 the Board of Directors undertook a review of Director independence. During this review, the Board considered transactions and relationships between each Director whose term will continue after the Annual Meeting and all of the Directors who have been nominated to stand for election at the Annual Meeting, and members of his or her immediate family and the Company and its subsidiaries and affiliates, including those reported under Certain Relationships and Related Transactions. The purpose of this review was to determine whether any relationships or transactions were inconsistent with a determination that a Director is independent within the meaning of the rules of the Nasdaq Stock Market and, for audit committee members, also independent within the meaning of the rules of the Securities and Exchange Commission. The Board determined that other than Mr. Charles Sykes, all of the Directors of the Company whose term will continue after the Annual Meeting, and all of the Directors who have been nominated to stand for election at the Annual Meeting, qualify as independent.

During 2004, the Board of Directors held 7 meetings. It is our policy to schedule a meeting of the Board on the date of the annual meeting of shareholders and we encourage all of our Directors to attend the annual shareholders meeting. Nine Directors attended last year s annual meeting of shareholders.

The Board of Directors has the standing committees listed below.

Audit Committee. The Audit Committee serves as an independent and objective party to monitor the Company s financial reporting process and internal control system. The Committee is responsible for the appointment, compensation, and oversight of the work of the Company s independent auditing firm, as well as for reviewing the independence, qualifications, and activities of the auditing firm. The Company s independent auditing firm reports directly to the Committee. All proposed transactions between the Company and the Company s officers and directors, or an entity in which a Company officer or director has a material interest, are reviewed by the Committee, and the approval of the Committee is required for such transactions. During the year ended December 31, 2004, the Committee held 10 meetings. From January 1, 2004, until the annual shareholders meeting in May 2004, the Committee was comprised of Messrs. Meurer, Helms, Whiting and Thomas F. Skelly. Mr. Skelly left the Board at the 2004 annual meeting, and Mr. Helms was replaced by Mr. Macdonald. During the remainder of 2004, and until the Annual Meeting, the Committee was, and will be, comprised of Messrs. Meurer (Chair), Macdonald and Whiting. The Board has determined that Messrs. Meurer, Macdonald and Whiting are independent within the meaning of the rules of the Nasdaq Stock Market and the Securities and Exchange Commission. The Board also has determined that Mr. Meurer is an audit committee financial expert within the meaning of the rules of the Securities and Exchange Commission. The Committee is governed by a written charter, which is reviewed on an annual basis. A copy of the current Audit Committee Charter is available on the Company s website at www.sykes.com/investors.asp under the heading Corporate Governance .

Compensation and Human Resource Development Committee. The Compensation and Human Resource Development Committee is responsible for establishing the compensation of the Company s senior management, including salaries, bonuses, granting of stock options under the Company s various stock option plans, termination arrangements, and other executive officer benefits. This Committee is also responsible for providing oversight and direction regarding the Company s employee health and welfare benefit programs, training and development and succession planning. During 2004, the Committee held 10 meetings. From January 1, 2004, until the annual shareholders meeting in May 2004, the Committee was comprised of Mr. Bozek, Dr. McClintock-Greco, Gordon H. Loetz and Ernest J. Milani. Mr. Loetz left the Committee at the 2004 annual meeting. During the remainder of 2004, and until the Annual Meeting, the Committee was, and will be, comprised of Mr. Milani (Chair), Mr. Bozek and Dr. McClintock-Greco. The Board has determined that Messrs. Milani and Bozek and Dr. McClintock-Greco are independent within the meaning of the rules of the Nasdaq Stock Market. Mr. Milani will leave the Board at the Annual Meeting. It is anticipated that, at the first meeting of the Board of Directors following the Annual Meeting, the Board will appoint a third Director to the committee who qualifies as an independent director within the meaning of the rules of the Nasdaq Stock Market.

Nominating and Corporate Governance Committee. The purpose of the Nominating and Corporate Governance Committee is to:

identify individuals qualified to become members of the Board of Directors of the Company and its subsidiaries;

recommend to the Board of Directors director nominees for election at the annual meeting of shareholders or for election by the Board of Directors to fill open seats between annual meetings;

recommend to the Board of Directors committee appointments for directors;

develop and recommend to the Board of Directors corporate governance guidelines applicable to the Company; and

monitor the Company s compliance with good corporate governance standards; and

In connection with carrying out its responsibility to identify individuals qualified to become members of the Board of Directors, the Committee has developed and recommend to the Board of Directors guidelines and criteria as to the desired qualifications of candidates for nomination for election as a director of the Company. In accordance with our Corporate Governance Guidelines, such criteria include considerations of age, skill, integrity, experience, time availability, appropriate listing standards, and applicable federal and state law and regulation. These guidelines and criteria were approved by the Board have been published in the Company s quarterly report on Form 10-Q for the second quarter of 2004.

The Committee may use various sources for identifying and evaluating nominees for Directors including referrals from our current Directors, management and shareholders, as well as input from third party executive search firms retained at the Company s expense. If the Committee retains one or more search firms, such firms may be asked to identify possible nominees, interview and screen such nominees and act as a liaison between the Committee and each nominee during the screening and evaluation process. The Committee will review the resume and qualifications of each candidate identified through any of the sources referenced above, and determine whether the candidate would add value to the Board. With respect to candidates that are determined by the Committee to be potential nominees, one or more members of the Committee will contact such candidates to determine the candidate s general availability and interest in serving. Once it is determined that a candidate is a good prospect, the candidate will be invited to meet the full Committee which will conduct a personal interview with the candidate. During the interview, the Committee will evaluate whether the candidate meets the guidelines and criteria adopted by the Board, as well as exploring any special or unique qualifications, expertise and experience offered by the candidate and how such qualifications, expertise and/or experience may compliment that of existing Board members. If the candidate is approved by the Committee, as a result of the Committee s determination that the candidate will be able to add value to the Board and the candidate expresses his or her interest in serving on the Board, the Committee will then review it s conclusions with the Board and recommend that the candidate be selected by the Board to stand for election by the shareholders or fill a vacancy or newly created position on the Board.

James K. Murray, Jr. and James S. MacLeod, who are being submitted for election as Directors at the Annual Meeting, were both recommended by Mr. Charles Sykes to the members of the Committee.

The Committee will consider qualified nominees recommended by shareholders who may submit recommendations to the Committee in care of our Corporate Secretary, 400 North Ashley Drive, Tampa, Florida 33602. Any shareholder nominating an individual for election as a director at an annual meeting must provide written notice to the Secretary of the Company, along with the information specified below, which notice must be received at the principal business office of the Company no later than the date designated for receipt of shareholders proposals as set forth in the Company s proxy statement for its annual shareholders meeting. If there has been no such prior public disclosure, then to be timely, a shareholder s nomination must be delivered to or mailed and received at the principal business office of the Company not less than 60 days nor more than 90 days prior to the annual meeting of shareholders; provided, however, that in the event that less than 70 days notice of the date of the meeting is given to the shareholders or prior public disclosure of the date of the meeting is made, notice by the shareholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the annual meeting was mailed or such public disclosure was made.

To be considered by the Committee, shareholder nominations must be accompanied by: (1) the name, age, business and residence address of the nominee; (2) the principal occupation or employment of the nominee for at least the last five years and a description of the qualifications of the nominee; (3) the number of shares of our stock that are beneficially owned by the nominee; and (4) any other information relating to the nominee that is required to be disclosed in solicitations for proxies for election of Directors under Regulation 14A of the Exchange Act, together with a written statement from the nominee that he or she is willing to be nominated and desires to serve, if elected. Also, the shareholder making the nomination should include: (1) his or her name and record address, together with the name and address of any other shareholder known to be supporting the nominee; and (2) the number of shares of our stock that are beneficially owned by the shareholder making the nomination and by any other supporting shareholders. Nominees for Director who are recommended by our shareholders will be evaluated in the same manner as any other nominee for Director.

We may require that the proposed nominee furnish us with other information as we may reasonably request to assist us in determining the eligibility of the proposed nominee to serve as a Director. At any meeting of shareholders, the Chairman of the Board may disregard the purported nomination of any person not made in compliance with these procedures.

During the year ended December 31, 2004, the Nominating and Corporate Governance Committee held 5 meetings. During 2004, and until the Annual Meeting, the Committee was and will be comprised of Mr. Bodenheimer, Mr. Helms and Lt. Gen DeLong. The Board has determined that Mr. Bodenheimer, Mr. Helms and Lt. Gen DeLong are independent within the meaning of the rules of the Nasdaq Stock Market. The Committee is governed by a written charter, which is reviewed on an annual basis. A copy of the current Nominating and Corporate Governance Committee Charter is available on the Company s website at www.sykes.com/investors.asp under the heading Corporate Governance .

Compensation Committee Interlocks and Insider Participation

None

COMMUNICATIONS WITH OUR BOARD

Shareholders and other parties interested in communicating with our Board of Directors may do so by writing to the Board of Directors, Sykes Enterprises, Incorporated, 400 N. Ashley Drive, Tampa, Florida 33602. Under the process for such communications established by the Board of Directors, the Vice President and General Counsel of the Company reviews all such correspondence and regularly forwards to all members of the Board a summary of the correspondence. Directors may at any time review a log of all correspondence received by the Company that is addressed to the Board or any member of the Board and request copies of any such correspondence. Correspondence that, in the opinion of the Vice President and General Counsel, relates to concerns or complaints regarding accounting, internal accounting controls and auditing matters is summarized and the summary and a copy of the correspondence is forwarded to the Chair of the Audit Committee. Additionally, at the direction of the Audit Committee, the Company has established a worldwide toll free hotline administered by an independent third party through which employees may make anonymous submissions regarding questionable accounting or auditing matters. Reports of any anonymous submissions are sent to the Chairman of the Audit Committee and the Vice President and General Counsel of the Company.

CORPORATE GOVERNANCE

The Company maintains a corporate governance page on its website which includes key information about its corporate governance initiatives, including its Corporate Governance Guidelines, Code of Ethics, and charters for the committees of the Board of Directors. The corporate governance page can be found at www.sykes.com/investors.asp, by clicking on Corporate Governance.

The Company s policies and practices reflect corporate governance initiatives that are compliant with the listing requirements of the Nasdaq Stock Market and the corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

- the Board of Directors has adopted clear corporate governance policies;
- a majority of the board members are independent of the Company and its management;
- all members of the key board committees the Audit Committee, the Compensation and Human Resource Development Committee and the Nominating and Corporate Governance Committee are independent;
- the independent members of the Board of Directors meet regularly without the presence of management;
- the Company has adopted a code of ethics that applies to all directors, officers and employees which is monitored by its Nominating and Corporate Governance Committee;
- the charters of the Board committees clearly establish their respective roles and responsibilities; and
- the Company s Audit Committee has established procedures for the receipt, retention and treatment, on a confidential basis, of complaints received by the Company, including the Board and the Audit Committee, regarding accounting, internal accounting controls or auditing matters, and the confiden-

tial, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters. These procedures are described under Communications With Our Board above.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

During the year ended December 31, 2004, the executive officers and directors of the Company filed with the Securities and Exchange Commission (the Commission) on a timely basis all required reports relating to transactions involving equity securities of the Company beneficially owned by them. The Company has relied solely on the written representation of its executive officers and directors and copies of the reports they have filed with the Commission in providing this information.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of the Record Date with respect to, (i) each of the Company s directors and nominees, (ii) each of the Company s executive officers named in the Summary Compensation Table below, (iii) all directors and executive officers of the Company as a group, and (iv) each person known by the Company to own beneficially more than 5% of the Common Stock. Except as otherwise indicated, each of the shareholders listed below has sole voting and investment power over the shares beneficially owned.

Name	Beneficially Owned Shares	Percent
John H. Sykes(1)	12,901,475	32.8%
ICM Asset Management, Inc.(2)	2,497,125	
James M. Simmons		
601 W. Main Avenue, Suite 600		
Spokane, WA 99201		
Dimensional Fund Advisors Inc.(3)	2,384,530	5.9%
1299 Ocean Avenue, 11th Floor		
Santa Monica, CA 90401		
Becker Capital Management, Inc.(4)	2,207,250	5.5%
1211 SW Fifth Avenue, Suite 2185		
Portland, OR 97204		
W. Michael Kipphut(5)	238,200	*
Charles E. Sykes(6)	153,500	*
Gerry L. Rogers(7)	0	*
James T. Holder(8)	12,084	*
Furman P. Bodenheimer, Jr.(9)	122,240	*
H. Parks Helms(10)	86,153	*
Linda McClintock-Greco(11)	55,692	*
William J. Meurer(12)	66,533	*
Paul L. Whiting(13)	111,318	*
Michael P. DeLong(14)	10,256	*
Mark C. Bozek(15)	10,763	*
James K. Murray, Jr.	8,000	*
James S. MacLeod	0	*
All directors and executive officers as a group (13) persons	13,776,214	34.25%

* Less than 1.0%

(1) Represents shares owned by Mr. Sykes through Jopar Investments Limited Partnership, a North Carolina limited partnership in which Mr. Sykes is the sole limited partner and the sole shareholder of the limited partnership s sole general partner. Excludes 7,950 shares owned by Mr. Sykes wife, as to which Mr. Sykes disclaims beneficial ownership. Mr. Sykes business address is P.O. Box 2044, Tampa, Florida 33601-2044.

(2) All information is based upon the Schedule 13G filed by ICM Asset Management, Inc. and James M. Simmons, dated February 9, 2005. ICM and Mr. Simmons share voting power over 1,135,325 shares

and share dispositive power over 2,497,125 shares. ICM is a registered investment adviser whose clients have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the stock. James M. Simmons is the President and controlling shareholder of ICM Asset Management, Inc. No individual client s holdings of the stock are more than five percent of the outstanding stock.

(3) All information is based upon the Schedule 13G filed by Dimensional Fund Advisors Inc., dated February 9, 2005. Dimensional, an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts. These investment companies, trusts and accounts are the Funds. In its role as investment advisor or manager, Dimensional possesses investment and/or voting power over the stock that are owned by the Funds, and may be deemed to be the beneficial owner of the stock held by the Funds. However, all securities are owned by the Funds, no one of which, to the knowledge of Dimensional, owns more than 5% of the class. Dimensional disclaims beneficial ownership of the stock.

(4) All information is based upon the Schedule 13G filed by Becker Capital Management, Inc., dated February 4, 2005. Becker Capital Management has sole voting power over 1,974,450 shares and sole dispositive power over 2,207,250 shares. All securities reported on the schedule are owned by advisory clients of Becker Capital Management, Inc. Becker Capital Management disclaims beneficial ownership of all such securities.

(5) Includes 235,000 shares of Sykes Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date.

(6) Includes 153,500 shares of Sykes Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date.

(7) Includes 75,000 shares of Sykes Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date.

(8) Includes 8,334 shares of Sykes Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date.

(9) Includes 60,000 shares of Sykes Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date.

(10) Includes 52,500 shares of Sykes Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date.

(11) Includes 45,000 shares of Sykes Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date.

(12) Includes 42,500 shares of Sykes Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date.

(13) Includes 8,334 shares of Sykes Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date. Excludes 300 shares owned by Mr. Whiting s wife, as to which Mr. Whiting disclaims beneficial ownership.

(14) Includes 8,334 shares of Sykes Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date.

(15) Includes 8,334 shares of Sykes Common Stock issuable upon the exercise of stock options that are exercisable within 60 days of the Record Date.

EXECUTIVE COMPENSATION

The following table sets forth certain information for the years ended December 31, 2004, 2003, and 2002 concerning compensation paid to or earned by the Company s named executive officers, as defined by the rules of the Securities and Exchange Commission, for the year ended December 31, 2004.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long Term Compensation		
Name	Date	Salary($)	Bonus(1)($)	Other Annual Compensation(2)($)	Restricted Stock(3)($)	Securities Underlying Options (#)	All Other Compensation(4)($)
John H. Sykes(5)	2004	1,092,044			5,986		1,704,166
Chairman of the Board and	2003	816,121			5,986		30,173
Chief Executive Officer (Ret.)	2002	550,281			5,973	1,250,000	47,139
Charles E. Sykes(6)	2004	337,828	52,713				10,566
President and	2003	246,546	50,000		459		6,029
Chief Executive Officer	2002	204,372				111,000	7,201
W. Michael Kipphut	2004	360,769	224,000		6,610		12,036
Group Executive, Senior	2003	335,021	226,125		6,488		10,755
Vice President Finance	2002	325,069			6,476		9,189
James T. Holder	2004	205,000	58,400		1,642		10,263
Vice President, General	2003	193,202	57,750		1,616		6,839
Counsel, & Secretary	2002	187,115			1,617		5,129
James C. Hobby	2004	220,000	20,295				10,068
Sr. Vice President	2003	66,846					30,374
Global Operations	2002						
William N. Rocktoff	2004	175,007	48,600		4,687		10,556
Vice President	2003	155,310	55,500		5,412		10,319
Corporate Controller	2002	145,572			3,754	37,000	7,732
Gerry L. Rogers(7)	2004	167,243	51,648	97,768	7,131		11,764
	2003	217,493	122,625		11,186		12,312

Senior Vice President & Chief Information Officer (Ret.)	2002	213,167			10,942	95,700	10,679

(1) All bonuses are reflected in the year paid. Such bonuses are based upon performance in the prior year but are payable the following March, and are payable only if the employee is then employed by the Company.

(2) Does not include the value of perquisites provided to the named executive officers, which in the aggregate did not exceed the lesser of $50,000 or 10% of such officer s salary and bonus. The amounts shown for Mr. Rogers represent post-retirement consulting fees paid during fiscal year 2004.

(3) Represents the value of vested restricted stock paid to the named executive officers based upon the closing prices of the Company s common stock on the grant dates of the awards. The restricted stock is paid as a matching contribution under the Company s Executive Deferred Compensation Plan (the Plan). Based on the closing price of the Company s stock ($6.95) on December 31, 2004, the aggregate number and value of all vested restricted stock held by the named executive officers as of that date were as follows: Mr. John Sykes (5,050 $35,098), Mr. Charles Sykes (440 $3,055), Mr. Kipphut (1,225 $8,516), Mr. Holder (275 $1,910), Mr. Rocktoff (1,061 $7,372) and Mr. Rogers (1,983 $13,780). If we determine to pay dividends, the dividends will accrue on the restricted stock. The restricted stock vests 25% if the named executive officer has 3 years participation in the Plan, 50% with 6 years participation in the Plan and 100% with 10 years participation in the Plan.

(4) The compensation shown as All Other Compensation for 2004 consists of the following: (i) the Company s matching contribution to the Sykes Enterprises, Incorporated Employees Savings Plan and Trust in the amount of $3,375 for Mr. John Sykes, $1,377 for Mr. Kipphut, $1,297 for Mr. Rocktoff and $4,100 for Mr. Rogers; (ii) excess group term life insurance in the amount of $29,809 for Mr. John Sykes, $650 for Mr. Charles Sykes, $1,079 for Mr. Kipphut, $650 for Mr. Holder, $1,079 for Mr. Hobby, $360 for Mr. Rocktoff and $733 for Mr. Rogers; (iii) additional compensation paid to employees related to health and welfare benefits in the amount of $12,482 for Mr. John Sykes, $9,832 for Mr. Charles Sykes, $8,831 for Mr. Kipphut, $9,613 for Mr. Holder, $7,498 for Mr. Hobby, $8,899 for Mr. Rocktoff, and $9,832 for Mr. Rogers; (iv) payment to Mr. John Sykes pursuant to his Founder s Retirement Agreement in the amount of $1,658,500, and (v) distribution to Mr. Rogers from the Company s Executive Deferred Compensation Plan as a result of his retirement in the amount of $94,248.

(5) Mr. John Sykes retired as Chairman of the Board and Chief Executive Officer effective August 1, 2004. The Company and Mr. Sykes signed the Founder s Retirement and Consulting Agreement on December 10, 2004 terminating Mr. Sykes employment with the Company effective December 31, 2004.

(6) Mr. Charles Sykes was named President and Chief Executive Officer in August, 2004.

(7) Mr. Rogers retired on July 30, 2004 and the Company thereafter engaged his services as a consultant through December 31, 2004.

OPTION GRANTS IN LAST FISCAL YEAR

There were no awards of stock options during 2004 to any of the executive officers named in the Summary Compensation Table.

AGGREGATE OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

The following table sets forth information with respect to the aggregate stock option exercises by the executive officers named in the Summary Compensation Table during 2004 and the year-end value of unexercised options held by such executive officers.

	Shares Acquired on Exercise(#)	Value Realized	Number of Unexercised Options at Fiscal Year End		Value of Unexercised In-The-Money Options At Fiscal Year End(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
John H. Sykes			1,250,000(2)		$	$
Charles E. Sykes			153,500		$ 101,500	$
W. Michael Kipphut			235,000		$ 145,500	$
James T. Holder			8,334	7,500	$ 26,293	$ 4,365
William N. Rocktoff					$ 29,000	
James Hobby						
Gerry L. Rogers						

(1) Based upon the closing price of $6.95 per share of common stock on December 31, 2004, as reported in the NASDAQ Stock Market.

(2) These options expired unexercised on March 31, 2005.

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EMPLOYMENT AGREEMENTS

Charles E. Sykes. The Company and Mr. Sykes are parties to an employment agreement, dated August 1, 2004, the material terms and conditions of which are summarized below. The employment agreement replaced his employment agreement dated January 1, 2004, as amended. Under the agreement, Mr. Sykes serves as President and Chief Executive Officer of the Company. The term of the agreement expires on July 31, 2007, but will automatically be renewed for successive one-year terms unless one of the parties provides written notice of its intent not to renew the agreement at least 180 days prior to the expiration of the initial term or any renewal term. Under the agreement, Mr. Sykes annual base salary will be $375,000, subject to increase at the Company s discretion. Mr. Sykes also is entitled to a performance bonus up to 60% of his base salary based upon the achievement of specified goals as determined by the Compensation Committee, and to participate in such other bonus programs and benefit plans as are generally made available to other executive officers of the Company.

If the agreement is terminated by the Company prior to the expiration of the initial term or any renewal period for any reason other than death, disability, or cause (as defined in the agreement), or if the agreement is terminated by Mr. Sykes prior to the expiration of the initial term or any renewal period for good reason (as defined below), the Company is required to pay Mr. Sykes an amount equal to his weekly base salary through the end of the initial term or renewal period of the agreement or for 104 weeks, whichever is greater, and during such period Mr. Sykes is prohibited from soliciting the Company s employees and competing with the Company in any area in which the Company s clients were conducting business during the initial term or any renewal term of the agreement. If the agreement is terminated by Mr. Sykes following a change in control of the Company (as defined in the agreement) prior to the expiration of the initial term or any renewal period, the Company is required to pay Mr. Sykes an amount equal to his weekly base salary for 156 weeks from the date of termination, rather than 104 weeks, and to pay him an amount determined by multiplying the annual target bonus designated or otherwise indicated for him in the year such change of control occurs by a factor of three, and paying such amount over the 156-week period. Also, in the event the agreement is terminated by Mr. Sykes following a change in control, all stock options, stock grants or other similar equity incentives and/or compensation programs will immediately accelerate and become fully vested and exercisable at the option of Mr. Sykes upon the event of termination.

Good reason for Mr. Sykes termination of the agreement is defined in the agreement as: (i) a change of control of the Company (as defined in the agreement), (ii) a good faith determination by Mr. Sykes that the Company has breached the employment agreement, (iii) a material adverse change in working conditions or status, (iv) the deletion of, or change in, any of the titles of CEO or President, (v) a significant relocation of Mr. Sykes principal office, (vi) a significant increase in travel requirements, or (vii) an impairment of Mr. Sykes health to an extent that made the continued performance of his duties under the agreement hazardous to his physical or mental health or his life.

The agreement provides that if Mr. Sykes employment is terminated by the Company due to his death, disability or for cause, or voluntarily by Mr. Sykes other than for good reason, then the Company will have no obligation to pay him any salary, bonus or other benefits other than those payable through the date of termination, and Mr. Sykes may not solicit any of the Company s employees or compete directly or indirectly with the Company during the term of the agreement and for a period of one year after its termination, regardless of the reason for its termination. The agreement contains customary confidentiality provisions.

W. Michael Kipphut. The Company and Mr. Kipphut are parties to an employment agreement, dated March 6, 2005, the material terms and conditions of which are summarized below. The employment agreement replaced his employment agreement dated March 6, 2004. The employment agreement provides that Mr. Kipphut will serve as an executive of the Company. Mr. Kipphut serves as Group Executive, Senior Vice President Finance. The term of the agreement expires on March 5, 2007, but will automatically be renewed for successive one-year terms unless one of the parties provides the other with written notice of its intent not to renew the agreement at least 30 days prior to the expiration of the initial term or any renewal term. Under the agreement, Mr. Kipphut s annual base salary is $368,500, subject to increase at the Company s discretion. Mr. Kipphut also is entitled to a performance bonus up to 60% of his base salary based upon the achievement of specified goals as determined by the Compensation Committee, and to participate in such other bonus programs and benefit plans as are generally made available to other executive officers of the Company.

If the agreement is terminated by the Company prior to the expiration of the initial term or any renewal period for any reason other than death, disability, or cause (as defined in the agreement), or if the agreement is terminated by Mr. Kipphut prior to the expiration of the initial term or any renewal period for good reason (as defined below), the Company is required to pay Mr. Kipphut an amount equal to his weekly base salary through the end of the initial term or renewal period of the agreement or for 52 weeks, whichever is greater, plus an amount equal to the maximum annual performance bonus he could earn (60% of his annual base salary), which would also be paid over the same period as the other payments. If the agreement is terminated by Mr. Kipphut following a change in control of the Company (as defined in the agreement) prior to the expiration of the initial term or any renewal period, the Company is required to pay Mr. Kipphut an amount equal to his weekly base salary for 104 weeks from the date of termination, rather than 52 weeks, plus an amount equal to twice the maximum annual performance bonus he could earn, which would also be paid over the 104-week period. Also, in the event the agreement is terminated by Mr. Kipphut following a change in control, all stock options, stock grants or other similar equity incentives and/or compensation programs will immediately accelerate and become fully vested and exercisable at the option of Mr. Kipphut upon the event of termination.

Good reason for Mr. Kipphut s termination of the agreement is defined in the agreement as: (i) a change of control of the Company (as defined in the agreement), (ii) a good faith determination by Mr. Kipphut that the Company has breached the employment agreement, (iii) a material adverse change in working conditions or status, (iv) the deletion of, or change in, any of the titles of Senior Vice President and Chief Financial Officer, (v) a significant relocation of Mr. Kipphut s principal office, (vi) a change in reporting such that Mr. Kipphut is required to report to someone other than the CEO, or (vii) a significant increase in travel requirements.

The agreement provides that if Mr. Kipphut s employment is terminated by the Company due to his death, disability or for cause, or voluntarily by Mr. Kipphut other than for good reason, then the Company will have no obligation to pay him any salary, bonus or other benefits other than those payable through the date of termination.

The agreement provides that Mr. Kipphut may not solicit any of the Company s employees or compete directly or indirectly with the Company during the term of the agreement and for one year after its expiration in any area in which the Company s clients were conducting business during the initial term or any renewal term of the agreement. If the agreement is terminated by the Company or Mr. Kipphut prior to the end of its term, regardless of the reason for its termination the non-solicitation and non-competition provisions will remain in effect through the end of the initial term or renewal period or for 52 weeks after termination, whichever is greater. The agreement contains customary confidentiality provisions.

Gerry L. Rogers. The Company and Mr. Rogers were parties to an employment agreement, dated March 5, 2004, the material terms and conditions of which are summarized below. The Company and Mr. Rogers terminated the agreement on July 30, 2004, in connection with Mr. Rogers voluntary retirement, and entered into a consulting agreement signed on July 27, 2004, which agreement was amended effective February 1, 2005. The material terms and conditions of the consulting agreement are summarized below.

Consulting Agreement. The consulting agreement has an effective date of August 2, 2004, and a term of one year. Either party may terminate the agreement at any time on 60 days prior notice, and the Company may terminate the agreement immediately following a breach by Mr. Rogers. The agreement provides that Mr. Rogers will provide services to the Company as an independent contractor on a project-by-project basis, as assigned by the President. He is to be paid a retained fee of $20,000 per month for which he is to perform 180 hours of work per month, as mutually agreed between the parties. Any hours of work above 180 hours per month will be billed by at the rate of $110.00 per hour worked. During the term of the Agreement and through March 5, 2006, Mr. Rogers is prohibited from soliciting the Company s employees and competing with the Company anywhere in the world. The agreement contains customary confidentiality provisions.

Employment Agreement. The employment agreement had an initial term of two years, and provided that Mr. Rogers would serve as an executive of the Company. Mr. Rogers served as Group Executive, Senior Vice President and Chief Information Officer. The agreement provided that it would automatically renew for successive one-year terms unless one of the parties provided written notice of its intent not to renew at least 180 days prior to the expiration of the initial term or any renewal term. Under the agreement, Mr. Rogers annual base salary was set at not less than $233,991, and he was entitled to a performance bonus of up to 75% of his base salary in accordance with the Company s standard policy for the payment of performance bonuses, and to standard executive fringe benefits.

The agreement provided that if it was terminated by the Company prior to the expiration of the initial term or any renewal period for any reason other than death, disability, or cause (as defined in the agreement), the Company would be required to pay Mr. Rogers an amount equal to his weekly base salary through the end of the initial term or renewal period of the agreement or for 52 weeks after the termination of the agreement, whichever is greater, and Mr. Rogers would be prohibited from competing with the Company during such period in any area in which the Company s clients were conducting business during the initial term or any renewal term of the agreement. After the end of the initial term or renewal period of the agreement, the Company could discontinue making such payments if it released Mr. Rogers from the restrictions in the noncompetition provision. The agreement provided that if Mr. Rogers employment was terminated by the Company due to his death, disability or cause, or voluntarily by Mr. Rogers, then the Company would have no obligation to pay him any salary, bonus or other benefits other than those payable through the date of termination, and Mr. Rogers may not compete with the Company for a period through the end of the initial term or renewal period of the agreement or for 52 weeks following the termination of his employment, whichever is greater. The agreement also provides that, after termination of his employment for any reason, whether by the Company or Mr. Rogers, Mr. Rogers may not solicit the Company s employees for the longer of (i) the remaining term of the agreement or (ii) a period of one year after termination of his employment. The agreement contained customary confidentiality provisions.

James T. Holder. The Company and Mr. Holder are parties to an employment agreement, dated April 1, 2003, the material terms and conditions of which are summarized below. The employment agreement provides that Mr. Holder will serve as an executive of the Company. Mr. Holder serves as Vice President, General Counsel and Corporate Secretary. The agreement has an initial term expiring September 30, 2005, and automatically renews for successive one-year terms unless one of the parties provides written notice of its intent not to renew at least 180 days prior to the expiration of the initial term or any renewal term. Under the agreement, Mr. Holder s annual base salary was to be not less than $190,000 through September 30, 2003, and not less than $205,000 from October 1, 2003 through the end of the term of the agreement, and he is entitled to participate in a performance based bonus program ranging from 0% to 25% of his base salary, and to standard executive fringe benefits.

If the agreement is terminated by the Company prior to the expiration of the initial term or any renewal period for any reason other than death, disability, or cause (as defined in the agreement), the Company is required to pay Mr. Holder an amount equal to his weekly base salary through the end of the initial term or renewal period of the agreement or for 52 weeks after the termination of the agreement, whichever is greater, and Mr. Holder may not compete with the Company during such period in any area in which the Company s clients were conducting business during the initial term or any renewal term of the agreement. After the end of the initial term or renewal period of the agreement, the Company may discontinue making such payments if it releases Mr. Holder from the restrictions in the noncompetition provision. The agreement also provides that if Mr. Holder s employment is terminated by the Company due to his death, disability or cause, or voluntarily by Mr. Holder, then the Company will have no obligation to pay him any salary, bonus or other benefits other than those payable through the date of termination, and Mr. Holder may not compete with the Company for a period through the end of the initial term or renewal period of the agreement or for 52 weeks following the termination of his employment, whichever is greater. The agreement provides that, after termination of his employment for any reason, whether by the Company or Mr. Holder, Mr. Holder may not solicit the Company s employees for the longer of (i) the remaining term of the agreement or (ii) a period of one year after termination of his employment. The agreement contains customary confidentiality provisions.

James Hobby, Jr. The Company and Mr. Hobby are parties to an employment agreement, dated January 3, 2005, the material terms and conditions of which are summarized below. The employment agreement provides that Mr. Hobby will serve as an executive of the Company. Mr. Hobby serves as Senior Vice President, Global Operations. The agreement has an initial term expiring January 2, 2007, but will automatically be renewed for successive one-year periods unless one of the parties provides written notice of its intent not to renew the agreement at least 180 days prior to the expiration of the initial term or any renewal term. Under the agreement, Mr. Hobby s annual base salary will not be less than $275,000, and he is entitled to a performance bonus of up to 50% of his base salary in accordance with the Company s standard policy for the payment of performance bonuses, and to standard executive fringe benefits.

If the agreement is terminated by the Company prior to the expiration of the initial term or any renewal period for any reason other than death, disability, or cause (as defined in the agreement), the Company is required to pay Mr. Hobby an amount equal to his weekly base salary through the end of the initial term or renewal period of the agreement or for 52 weeks after the termination of the agreement, whichever is greater, and Mr. Hobby may not compete with the Company during such period in any area in which the Company s clients were conducting business during the initial term or any renewal term of the agreement. After the end of the initial term or renewal period of the agreement, the Company may discontinue making such payments if it releases Mr. Hobby from the restrictions in the noncompetition provision. The agreement provides that if Mr. Hobby s employment is terminated by the Company due to his death, disability or cause, or voluntarily by Mr. Hobby, then the Company will have no obligation to pay him any salary, bonus or other benefits other than those payable through the date of termination, and Mr. Hobby may not compete with the Company for a period through the end of the initial term or renewal period of the agreement or for 52 weeks following the termination of his employment, whichever is greater. The agreement provides that, after termination of his employment for any reason, whether by the Company or Mr. Hobby, Mr. Hobby may not solicit the

Company s employees for the longer of (i) the full stated term or renewal period of the agreement or (ii) a period of 52 weeks after termination of his employment. The agreement contains customary confidentiality provisions.

William N. Rocktoff. The Company and Mr. Rocktoff are parties to an employment agreement, dated April 1, 2003, the material terms and conditions of which are summarized below. The employment agreement provides that Mr. Rocktoff will serve as an executive of the Company. Mr. Rocktoff serves as Vice President and Corporate Controller. The agreement has an initial term expiring September 30, 2005, but will automatically be renewed for successive one-year periods unless one of the parties provides written notice of its intent not to renew the agreement at least 180 days prior to the expiration of the initial term or any renewal term. Under the agreement, Mr. Rocktoff s annual base salary will not be less than $150,000, and he is entitled to a performance bonus of up to 30% of his base salary in accordance with the Company s standard policy for the payment of performance bonuses, and to standard executive fringe benefits. Mr. Rocktoff s annual base salary was increased to $182,000 effective as of April 20, 2004.

If the agreement is terminated by the Company prior to the expiration of the initial term or any renewal period for any reason other than death, disability, or cause (as defined in the agreement), the Company is required to pay Mr. Rocktoff an amount equal to his weekly base salary through the end of the initial term or renewal period of the agreement or for 52 weeks after the termination of the agreement, whichever is greater, and Mr. Rocktoff may not compete with the Company during such period in any area in which the Company s clients were conducting business during the initial term or any renewal term of the agreement. After the end of the initial term or renewal period of the agreement, the Company may discontinue making such payments if it releases Mr. Rocktoff from the restrictions in the noncompetition provision. The agreement provides that if Mr. Rocktoff s employment is terminated by the Company due to his death, disability or cause, or voluntarily by Mr. Rocktoff, then the Company will have no obligation to pay him any salary, bonus or other benefits other than those payable through the date of termination, and Mr. Rocktoff may not compete with the Company for a period through the end of the initial term or renewal period of the agreement or for 52 weeks following the termination of his employment, whichever is greater. The agreement provides that, after termination of his employment for any reason, whether by the Company or Mr. Rocktoff, Mr. Rocktoff may not solicit the Company s employees for the longer of (i) the full stated term or renewal period of the agreement or (ii) a period of 52 weeks after termination of his employment. The agreement contains customary confidentiality provisions.

John H. Sykes. On August 2, 2004, John H. Sykes publicly announced his resignation and retirement as Chairman and Chief Executive Officer of the Company. Mr. Sykes founded the Company in September 1977 and served the Company in an executive officer position for 27 years. Mr. Sykes was employed at such time by the Company pursuant to the Amended and Restated Executive Employment Agreement, dated as of October 1, 2001, described below. The employment agreement had an initial term of five years, expiring on October 1, 2006.

As a result of Mr. Sykes resignation prior to the end of the initial term of the employment agreement, the Company and Mr. Sykes terminated the employment agreement and entered into a Retirement and Consulting Agreement, dated December 10, 2004, the material terms and conditions of which are summarized below:

Mr. Sykes resignation as an employee of the Company was to be effective as of December 31, 2004.

The Company agreed to all compensation and benefits due under his employment agreement through December 31, 2004.

The Company agreed that on or promptly after December 31, 2004, it would pay to Mr. Sykes a lump sum of $1,352,695.51 in base severance pay, which amount is equal to the annual base salary payable under his employment agreement for the period from the December 31, 2004, through the termination date of the employment agreement, September 30, 2006.

Because Mr. Sykes relinquished any rights he may have had under the employment agreement to an office and secretary for the rest of his life, and the right to continue to be covered as an employee under the Company s group health insurance policy, as well as other possible benefits associated with continued employment, the Company agreed to pay on or promptly after December 31, 2004, a lump sum of $300,000 to Mr. Sykes.

The Company agreed to pay on or promptly after December 31, 2004, $68,750 for his unused vacation benefits earned through December 31, 2004.

Mr. Sykes may exercise his existing stock options in accordance with the terms and conditions of his stock option agreements and the Company s existing stock option plan.

Mr. Sykes and his qualified dependents, as determined by the Company, may participate in the Company s health insurance plan at their own expense.

The Company will provide Mr. Sykes with a secretary and an office at the Company s headquarters in Tampa, Florida, to facilitate a reasonable management transition.

During the period from December 31, 2004, through October 1, 2006, the Company will pay Hyde Park Equity, LLC, a limited liability company owned by Mr. Sykes, fees of $150,000, in seven equal quarterly installments of $21,428, for consulting services to be provided by Mr. Sykes through Hyde Park Equity. In the event of Mr. Sykes death prior to October 1, 2006, the Company shall pay only a pro rata amount for the quarter in which Mr. Sykes dies, and nothing further shall be owed for consulting services. For such amount, Hyde Park Equity will cause Mr. Sykes to provide up to 37.5 days of consulting services per year at the request of the Board of Directors or its Chairman. Such services will include advice dealing with significant business issues and an orderly management transition. Additional days of service will be billed at $2,000 per day. The Company will also reimburse Hyde Park Equity for out of pocket business expenses incurred in connection with providing services to the Company.

Under the retirement and consulting agreement, Mr. Sykes agreed not to compete with the Company for a period from December 31, 2004, through October 1, 2006 within the geographic areas where the Company markets its services and products, including but not limited to the continental United States, with certain limited exceptions including a temporary personnel staffing business.

Employment Agreement. The Company and Mr. Sykes were parties to an amended and restated employment agreement, dated October 1, 2001, the material terms and conditions of which are summarized below. The employment agreement provided for an initial term of five years and automatic renewals for successive one-year terms, unless terminated by either party with 180 day s prior notice. Under the agreement, Mr. Sykes initial base salary was set at $550,000 until December 31, 2002, with the base salary increasing as determined by the Board of Directors. The employment agreement provided that the annual base salary would be increased at least 30% on October 1, 2003, increased by at least another 15% on the fourth anniversary of the agreement (October 1, 2005), and increased by at least another 15% on each bi-annual (i.e. two year) anniversary thereafter. Mr. Sykes was also entitled to performance bonuses as determined by the Compensation Committee and to participate in such bonus programs and other benefit plans as are generally made available to other executive officers of the Company. Additionally, at the end of each fiscal year, the Board of

Directors, in their discretion, could award Mr. Sykes a bonus based upon his performance during such fiscal year.

Due to the enactment of the Sarbanes-Oxley Act of 2002 in June 2002 and changes in the law related to split dollar life insurance premiums and benefits, the Compensation and Human Resource Development Committee determined in 2002 that it was in the best interest of the Company and Mr. John Sykes for the Company to cease making premium payments on the split dollar insurance policies on Mr. John Sykes life, and instead to increase Mr. Sykes compensation by an amount equal to those premium payments, grossed up for tax effect. Accordingly, effective January 1, 2003, Mr. Sykes base compensation was increased from $550,000 to $792,478, and he was responsible for making all future premium payments on those split dollar life insurance policies. The Company is entitled to recover out of the death benefits payable under the policies an amount equal to the premiums previously paid by the Company.

The employment agreement provided that if the agreement was terminated by the Company for any reason other than for cause (as defined therein), death or disability, the Company would continue to pay the full amount of Mr. Sykes annual base salary throughout the initial term or any successor term. Mr. Sykes was also to continue to receive the full amount of his annual base salary throughout the initial term or any successor term in the event there is: (i) a change of control, (ii) a good faith determination by Mr. Sykes that the Company had breached the employment agreement, (iii) a material adverse change in working conditions or status, (iv) the deletion of, or change in, any of the titles of Chairman of the Board, CEO or President, (v) a significant relocation of Mr. Sykes principal office, (vi) a significant increase in travel requirements, or (vii) an impairment of Mr. Sykes health to an extent that made the continued performance of his duties under the agreement hazardous to his physical or mental health or his life. During the term of his employment with the Company, Mr. Sykes was prohibited from competing with the Company in any area in which the Company s business was then conducted. The agreement contained customary confidentiality provisions.

The employment agreement also provided that upon its termination for any reason, including cause, benefits would continue during the lifetime of Mr. Sykes and the lifetime of his spouse if he was married at the time of his death. Benefits include all employee benefit plans and programs in which Mr. Sykes was entitled to participate immediately before termination. Further, if the Company determined that resources were then reasonably available, the Company would also provide Mr. Sykes with an office and a secretary at the Company s headquarters.

Upon Mr. John Sykes retirement, the Company s Board of Directors recognized his contribution to the Company as its founder and Chairman of the Board for over twenty six years, by naming Mr. John Sykes as honorary Chairman Emeritus. In this capacity, Mr. Sykes may be invited to Board meetings, but will not have a vote on matters before the Board.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes the equity compensation plans under which the equity securities of Sykes may be issued as of December 31, 2004:

	(a)	(b)	(c)
	Number of Securities to be Issued Upon Exercise of Options, Warrants and Rights	**Weighted Average Exercise Price of Outstanding Options, Warrants and Rights**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))**
Equity compensation plans approved by shareholders(1)	2,777,013	$ 10.12(2)	5,231,300
Equity compensation plans not approved by shareholders	55,884(3)		N/A(3)
Totals	2,832,897		5,231,300

(1) Includes shares of common stock of Sykes authorized for awards under the 2001 Equity Incentive Plan as well as the 2000 Stock Option Plan, the 1996 Employee Stock Option Plan, and the 1997 Management Stock Incentive Plan, all of which are predecessor plans to the 2001 Equity Incentive Plan. Also includes shares of common stock of Sykes reserved for issuance under the 1999 Employees Stock Purchase Plan, the Amended and Restated 1996 Non-Employee Director Stock Option Plan, the 1996 Non-Employee Director Fee Plan, and the 2004 Non-Employee Director Stock Option Plan. Implementation of the 2004 Non-Employee Director Stock Option Plan was suspended by the Board of Directors when it approved the 2004 Non-Employee Director Fee Plan in May 2004. The 2004 Non-Employee Director Stock Option Plan will be terminated if the 2004 Non-Employee Director Fee Plan is approved by the shareholders at the Annual Meeting. See Directors Compensation above.

(2) Represents the weighted average exercise price of stock options only.

(3) Represents shares of common stock of Sykes issued as matching grants under the Deferred Compensation Plan for executives described below. There is no specific number of shares reserved for issuance under the Deferred Compensation Plan

Shares awarded under all of the above compensation plans may be from Sykes authorized and un-issued shares or treasury shares. For a summary of the terms of Sykes stock option plans, see Note 19 of our consolidated financial statements in the Annual Report on Form 10-K and incorporated herein by reference.

Executive Deferred Compensation Plan

The Company adopted the Deferred Compensation Plan effective December 17, 1998, as an unfunded deferred compensation arrangement for a select group of management or highly compensated personnel. Compensation deferred by a participant while he is a participant in the Plan is deferred until such participant s retirement, termination, disability or death, or a change in control of the Company, as defined in the Plan, and in such event is paid out to the participant or his beneficiary.

Participants in the Plan may elect to defer any amount of base compensation and bonus. The Company matches a portion of amounts deferred by a participant on a quarterly basis as follows: 50% match on salary deferred, up to a total match of $12,000.00 per year for senior vice presidents and $7,500.00 per year for vice presidents and other participants. The total amount of the matching contribution made to the Plan is made in the form of Sykes common stock.

With respect to the distribution of the participant s matching contribution, a participant may elect a distribution of the Sykes common stock in the participant s deferred compensation account, or a distribution of the cash value of the common stock in the participant s account. The distribution of any matching contribution made by the Company and earnings attributable thereto will be paid as soon as administratively feasible twelve months after retirement or termination of employment. Alternatively, a participant may, at the time of initial participation in the Plan, elect to receive benefits under the Plan in the event of retirement or disability in 120 monthly installments of an amount equal to the fair market value of the assets in the participant s deferred compensation account as of the effective date of his retirement or termination of employment due to disability.

In the event the participant terminates employment (for reasons other than death, disability or retirement) without participating in the plan for three years, the matching contributions and earnings attributable thereto are forfeited. In the event that a participant terminates employment after three years, but less than six years of participation in the Plan, the participant forfeits 75% of the matching contribution and earnings. In the event a participant terminates employment after six years but less than ten years of participation in the Plan, the participant forfeits 50% of the matching contribution and earnings.

In the event of a distribution of benefits as a result of a change in control, the Company will increase the benefit by an amount sufficient to offset the income tax obligations created by the distribution of benefits.

Participants forfeit undistributed matching contributions if the participant is terminated for cause as defined in the Plan or the participant enters into a business or employment which the CEO determines to be in violation of any non-compete agreement between the participant and the Company.

COMPENSATION AND HUMAN RESOURCE DEVELOPMENT COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Introduction

Under rules of the Commission, the Company is required to provide certain information concerning compensation provided to the Company s Chief Executive Officer and its other executive officers. The disclosure requirements for the executive officers include the use of tables and a report of the Committee responsible for compensation decisions for the named executive officers explaining the rationale and considerations that led to those compensation decisions. Therefore, the Compensation and Human Resource Development Committee of the Board of Directors has prepared the following report for inclusion in this Proxy Statement.

Compensation and Human Resource Development Committee Role

The Compensation and Human Resource Development Committee of the Board of Directors has the responsibility to review annually and recommend to the full Board, the compensation for the Chief Executive Officer as well as the other executive officers. The forms of compensation considered by the Committee include base salary, annual and performance based cash bonuses and fringe benefits. The Company s Stock Option Committee, a subcommittee of the Compensation and Human Resource Development Committee, is responsible for reviewing the equity incentive component of the Company s compensation program for its employees generally, and specifically its executive officers, including the named executive officers. The Stock Option Committee is responsible for making stock option grants under the Company s 2001 Equity Incentive Plan to executive officers of the Company. The Committee and the Stock Option Committee are comprised of members of the Board who are not employees of the Company. Although these committees consider different components of the executive employees compensation, they are currently comprised of the same non-employee Board members.

Compensation Philosophy

The Committee s philosophy on executive compensation is based upon several fundamental concepts. First, the Committee believes that the level of individual compensation should be competitive with selected survey groups. Second, compensation generally, and bonus compensation specifically, should be designed to provide significant incentives for superior personal and corporate performance. Third, the executive s compensation package should be designed to align the interests of the executive with that of the Company s shareholders. The Committee believes that executive compensation, if determined in accordance with this philosophy, will enable the Company to attract and retain the services of highly qualified and motivated executives. These goals are achieved by designing executive compensation packages that include a base salary, discretionary and performance based cash bonuses and periodic grants of stock options. The Company s policies with respect to these elements, including the basis for the compensation awarded the Company s chief executive officer, are discussed below.

The Committee oversees the operation of the Company s executive compensation policies. The Company occasionally retains independent compensation consultants, and regularly utilizes published surveys with industry, geographical and position specific data to compare the Company s compensation programs with various other companies with similar characteristics. While the elements of compensation described below are considered separately, the Committee takes into account the full compensation package offered by the Company to the individual, including health care and other insurance benefits and contributions made by the Company under the Company s 401(k) Plan, Employee Stock Purchase Plan and Deferred Compensation Plan.

Base Salaries. The Company has established competitive annual base salaries for all executive officers, including the named executive officers. The annual base salaries for each of the Company s executive officers, including the Company s chief executive officer, reflect the subjective judgment of the Committee based on their consideration of the executive officer s position with the Company, the executive officer s tenure, the Company s needs, a comparative analysis of published compensation data as described above, and the executive officINE-HEIGHT: 1.25; MARGIN-RIGHT: 0pt" align=left>(3) In 2002, we recorded charges of approximately $5.8 million related to excess and obsolete inventory and a write-down of goodwill carrying value relating to services business of $16.9 million.

(4) In 2001, we recorded charges of approximately $30 million related to excess inventory and inventory purchase commitments, $5.8 million related to a write-down of goodwill and other intangibles, and a $11.6 million increase in bad debt expense related to a customer bankruptcy.

(5) We recorded a non-cash charge of approximately $1.5 million on January 1, 2000 to account for the cumulative effect of the accounting change made to comply with SAB 101. See Note 2 of Notes to Consolidated Financial Statements.

(6) In 2000, we recorded charges of approximately $21.7 million related to excess inventory and inventory purchase commitments, $15.0 million related to a write-down of goodwill, and a $9.9 million increase in the valuation allowance against the carrying value of deferred tax assets.

(8) The gain on disposal in 2001 was from the sale of RT Masts in February 2001.

(9) The Company discontinued its services business unit, P-Com Network Services in the first quarter of 2003, and accordingly reported its results on one line as a discontinued operations.

(10) The per share numbers have been adjusted to reflect the one for thirty reverse stock split effective July 19, 2004.

CERTAIN RISK FACTORS AFFECTING P-COM

An investment in our Common Stock is subject to many risks. You should carefully consider the risks described below, together with all of the other information included in this Prospectus, including the financial statements and the related notes, before you decide whether to invest in our Common Stock. Our business, operating results and financial condition could be harmed by any of the following risks. The trading price of our Common Stock could decline due to any of these risks, and you could lose all or part of your investment.

RISKS RELATED TO P-COM'S FINANCIAL CONDITION AND OPERATIONS

WE MAY NEED ADDITIONAL FINANCING.

Our core business product sales are still significantly below levels necessary to achieve positive cash flow, and are anticipated to deteriorate significantly as a result of the execution of the Restructuring Plan. From inception to December 31, 2004, our aggregate net loss is approximately $368 million. Our cash position has declined to $1.2 million at March 31, 2005. We had negative working capital of $6.2 million as of March 31, 2005. In November 2004, we obtained a commitment for an additional $5.0 million in debt financing (the "Debenture Facility"), and have borrowed $3.3 million as of December 31, 2004 under the Debenture Facility. Since December 31, 2004, an additional $850,000 has been borrowed under the Debenture Facility. To continue as a going concern, we may be required to secure additional debt or equity capital prior to the end of the third quarter of 2005. To address our liquidity requirements, we are aggressively reducing expenses in connection with the implementation of our Restructuring Plan. We also currently plan to raise additional equity and/or debt capital prior to the end of the third quarter of 2005. No assurances can be given that we will be successful in our Restructuring Plan, or in our attempts to raise additional debt or equity financing.

OUR CURRENT BUSINESS AND FINANCIAL CONDITION RAISE DOUBTS ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN.

Our independent accountants' opinion on our 2004 consolidated financial statements includes an explanatory paragraph indicating substantial doubt about our ability to continue as a going concern. The financial statements incorporated in this prospectus by reference have been prepared assuming that we will continue as a going concern. The financial statements do not include adjustments that might result if we were required to cease operations. These adjustments would include, among other things, a write-down in the value of our assets from book value to liquidation value. To continue as a going concern, we will have to significantly increase our sales, and we may be required to raise additional equity and/or debt financing. We may not accomplish these tasks. If we are unable to raise additional debt or equity financing, we may not be unable to continue as a going concern.

OUR PROSPECTS FOR OBTAINING ADDITIONAL FINANCING ARE UNCERTAIN AND FAILURE TO OBTAIN NEEDED FINANCING MAY AFFECT OUR ABILITY TO CONTINUE AS A GOING CONCERN.

In the event we are unable to raise additional debt or equity financing prior to the end of the third quarter of 2005, or otherwise improve our liquidity position, we may not be able to continue as a going concern. Our future capital requirements will depend upon many factors, including the success of our Restructuring Plan, the continuation of our RMA Business, development costs of new products and related software, potential acquisition opportunities, maintenance of adequate manufacturing facilities and contract manufacturing agreements, progress of research and development efforts, expansion of marketing and sales efforts, and status of competitive products. Additional financing may not be available in the future on acceptable terms or at all. Our history of substantial operating losses could also severely limit our ability to raise additional financing.

WE MAY NOT BE ABLE TO REPAY OUR EXISTING DEBT AND ANY REPAYMENT OF OUR DEBT WITH SHARES OR BY RAISING ADDITIONAL FUNDS MAY RESULT IN SIGNIFICANT DILUTION TO OUR STOCKHOLDERS.

At December 31, 2004, we owed, excluding accrued but unpaid interest, an aggregate amount of $3.3 million to SDS Capital Group SPC, Ltd ("SDS"), and it is anticipated that such indebtedness will increase to $5.0 million prior to the end of the second quarter of 2005. Interest accrues on such debt at an annual interest rate of 7%, increasing to 8% on July 1, 2005 and 10% on April 1, 2006 through the maturity date of the loan, December 31, 2006. If we are unable to generate sufficient cash flow from our operations, secure funds from the capital markets or lenders or restructure our debt to SDS, we will not be able to continue as a going concern.

We may make the principal and interest payments under our Debenture Facility in either shares of our common stock, cash or a combination of both. The number of shares of common stock that may be used to pay the quarterly installments is capped at 6,000,000 shares of common stock. We currently do not have enough cash to make the required payments under the Debenture Facility and anticipate making the vast majority if not all of the payments in shares of our common stock. In addition, given the recent price for our common stock, if we make the required amortization payments on the Debenture Financing using our common stock, or raise additional funds by issuing equity securities, additional significant dilution to our stockholders will result.

WE MAY NOT BE ABLE TO REPAY THE DEBENTURE FACILITY INSTALLMENT PAYMENTS IN SHARES OF OUR COMMON STOCK.

Under our Debenture Facility, we may not issue shares of common stock to make the quarterly installment payments if the issuance of such shares would result in SDS beneficially owning (as determined in accordance with Section 13(d) of the Exchange Act) more than 9.9% of all of the common stock outstanding at such time. SDS may waive this ownership blocker but it is not obligated to do so. In the event that we are prevented from making an installment payment in shares of common stock due to the ownership blocker and SDS does not waive compliance with this provision, then we may default on our payment obligations under the Debenture Facility. Also, the terms of the Debenture Facility limit the number of shares of common stock that we may issue as quarterly installment payments to 6,000,000 shares. If we make the required payments in shares of common stock, given the Company's current stock price, we will exceed the share cap. In such event, if SDS does not waive the share cap, then we may default on our payment obligations under the Debenture Facility.

AS A RESULT OF THE RESTRUCTURING PLAN, OUR REVENUE WILL DECREASE SUBSTANTIALLY.

As a result of the Restructuring Plan, our revenue is anticipated to decrease substantially. While we believe that a consequence of the Restructuring Plan will be to return P-Com to profitability prior to the end of 2005, no assurances can be given that we will achieve the objectives of the Restructuring Plan, or that the sales in our remaining product lines can sufficiently increase to allow us to achieve positive cash flow from operations. Until sales levels in our remaining product lines can sufficiently increase, our business, financial condition and results of operations will continue to be adversely affected.

WE RELY ON A LIMITED NUMBER OF CUSTOMERS FOR A MATERIAL PORTION OF OUR SALES. THE LOSS OF OR REDUCTION IN SALES TO ANY OF OUR CUSTOMERS COULD HARM OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATION.

For the year ended December 31, 2004 and December 31, 2003, sales to our top four customers accounted for 65% and 56% of total sales, respectively. We expect that a limited number of customers will continue to account for a significant portion of our sales for the foreseeable future. The loss of any one of these customers would have an immediate and material adverse effect on our sales. If we are unsuccessful in obtaining significant new customers or if one of our top customers or several small customers cancel or delay their orders for our products, then our business and prospects could be harmed which may cause the price of our common stock to decline. Our customer concentration also results in concentration of credit risk. As of December 31, 2004, five customers accounted for 56% of our total accounts receivable balances. If any one of these customers is unable to fulfill its payment obligations to us, our revenue could decline significantly.

AS A RESULT OF THE RESTRUCTURING PLAN, WE ARE SUBSTANTIALLY DEPENDENT ON THE SALE OF REFURBISHED LICENSED PRODUCTS, AND A REDUCTION IN SUCH SALES WILL MATERIALLY HARM P-COM'S RESULTS OF OPERATIONS.

Sales of refurbished licensed products in 2004 were $11.2 million, or 46% of total sales, and 58% of total sales of licensed products. As a percentage of total sales and total sales of licensed products, sales of refurbished licensed products will substantially increase in 2005 relative to 2004 as a result of the substantial decrease in sales of new licensed products anticipated in 2005 as a result of the Restructuring Plan. Total sales of refurbished licensed products will decline over time in the event our customers determine to replace existing radios with new product, rather than send them to us for continued repair and maintenance. In addition, our customers may elect to source refurbished licensed products from third parties rather than us, as was the case in the fourth quarter of 2004 when one of our customers elected to contract with a third party for its refurbished licensed product requirements. Although we were ultimately able to recapture that customer's business, no assurances can be given that we will not lose customers in the future, or that customers will not elect to purchase new licensed products rather than send them to us for repair and maintenance. In the event of a reduction in the sale of refurbished licensed products, our results of operations will be materially harmed.

P-COM FACES SUBSTANTIAL COMPETITION AND MAY NOT BE ABLE TO COMPETE EFFECTIVELY.

We face intense competition worldwide from a number of leading telecommunications equipment and technology suppliers. These companies offer a variety of competitive products and services. These companies include Alcatel Network Systems, Alvarion, Stratex Networks, Ceragon, Ericsson Limited, Harris Corporation-Farinon Division, NEC, Sagem, Nortel, Nokia Telecommunications, SIAE, Siemens, and Proxim. Many of these companies have greater installed bases, financial resources and production, marketing, manufacturing, engineering and other capabilities than P-Com. We face actual and potential competition not only from these established companies, but also from start-up companies that are developing and marketing new commercial products and services. Some of our current and prospective customers and partners have developed, are currently developing or could manufacture products competitive with our products.

The principal elements of competition in our market and the basis upon which customers may select our systems include price, performance, software functionality, perceived ability to continue to be able to meet delivery requirements, and customer service and support. Recently, certain competitors have announced the introduction of new competitive products, including related software tools and services, and the acquisition of other competitors and competitive technologies. We expect competitors to continue to improve the performance and lower the price of their current products and services and to introduce new products and services or new technologies that provide added functionality and other features. New product and service offerings and enhancements by our competitors could cause a decline in our sales or loss of market acceptance of our systems. New offerings could also make our systems, services or technologies obsolete or non-competitive. In addition, we are experiencing significant price competition and we expect that competition will intensify.

P-COM'S OPERATING RESULTS HAVE BEEN ADVERSELY AFFECTED BY DETERIORATING GROSS MARGINS AND SALES VOLUMES.

The intense competition for our licensed products has resulted in a continued reduction in average selling prices. These reductions have not been offset by a corresponding decrease in cost of goods sold, resulting in deteriorating gross margins in some of our product lines. These deteriorating gross margins will continue in the short term. Reasons for the decline include the maturation of the systems, the effect of volume price discounts in existing and future contracts, the intensification of competition, and the recent decrease in sales volumes.

If we cannot significantly reduce costs, develop new products in a timely manner or in the event we fail to achieve increased sales of new products at a higher average selling price, then we will be unable to offset declining average selling prices in many of our product lines. If we are unable to offset declining average selling prices, or achieve corresponding decreases in manufacturing operating expenses, our gross margins will continue to decline.

P-COM DOES NOT HAVE THE CUSTOMER BASE OR OTHER RESOURCES OF MORE ESTABLISHED COMPANIES, WHICH MAKES IT DIFFICULT FOR IT TO ADDRESS THE LIQUIDITY AND OTHER CHALLENGES IT FACES.

Although we have installed and have in operation over 150,000 radio units globally, we have not developed a large installed base of our equipment or the kind of close relationships with a broad base of customers of a type enjoyed by larger, more developed companies, which would provide a base of financial performance from which to launch strategic initiatives and withstand business reversals. In addition, we have not built up the level of capital often enjoyed by more established companies, so from time to time, it faces serious challenges in financing its continued operations. We may not be able to successfully address these risks.

WE RELY ON THIRD PARTY MANUFACTURERS AND SUPPLIERS AND ANY FAILURE OF OR INTERRUPTION IN THE MANUFACTURING, SERVICES OR PRODUCTS PROVIDED BY THESE THIRD PARTIES COULD HARM OUR BUSINESS.

We rely on third-party manufacturers for the manufacturing, repair and maintenance of a substantial portion of our products. We have limited internal manufacturing, repair and maintenance capacity, which may not be sufficient to fulfill customers' requirements. Our contract service providers may not be able to react to our demands on a timely basis. In addition, certain components and subassemblies necessary for the manufacture of our systems are obtained from a sole supplier or a limited group of suppliers.

Our reliance on third-party manufacturers, service providers and suppliers involves risks. From time to time, we have experienced an inability to obtain, or to receive in a timely manner, an adequate supply of finished products and required components and subassemblies. This inability has been due to a variety of factors, including, in some cases, our financial condition. As a result of our reliance on these third parties, we have reduced control over the price, timely delivery, reliability and quality of finished products, components and subassemblies. Any failure by us, or our contract manufacturers to repair, maintain, manufacture, assemble and ship systems and meet customer demands on a timely and cost-effective basis could damage relationships with customers and have a material adverse effect on our business, financial condition and results of operations.

P-COM'S BUSINESS DEPENDS ON THE ACCEPTANCE OF ITS PRODUCTS AND SERVICES, AND IT IS UNCERTAIN WHETHER THE MARKET WILL ACCEPT AND DEMAND ITS PRODUCTS AND SERVICES AT LEVELS NECESSARY FOR SUCCESS.

Our future operating results depend upon the continued growth and increased availability and acceptance of our products in the U.S. and internationally. The volume and variety of wireless telecommunications services or the markets for and acceptance of the services may not continue to grow as expected. The growth of these services may also fail to create anticipated demand for our systems. Predicting which segments of these markets will develop and at what rate these markets will grow is difficult.

DUE TO OUR INTERNATIONAL SALES AND OPERATIONS, WE ARE EXPOSED TO BUSINESS, POLITICAL, REGULATORY, OPERATIONAL, FINANCIAL AND ECONOMIC RISKS, ANY OF WHICH COULD INCREASE OUR COSTS AND HINDER OUR GROWTH.

As a result of our current heavy dependence on international markets, especially in the United Kingdom, the European continent, the Middle East, China, and Latin America, we face business, political, regulatory, operational, financial and economic risks that are often more volatile than those commonly experienced in the United States. Approximately 92% and 89% of our sales in the year ended December 31, 2003 and December 31, 2004, respectively, were made to customers located outside of the United States.

Due to political and economic instability in new markets, economic, political and foreign currency fluctuations may be even more volatile than conditions in developed countries. Countries in the Asia/Pacific, African, and Latin American regions have in recent years experienced weaknesses in their currency, banking and equity markets. These weaknesses have adversely affected and could continue to adversely affect demand for our products.

WE FACE RISKS ASSOCIATED WITH CURRENCY EXCHANGE RATE FLUCTUATIONS.

Approximately 89% and 92% of our sales in the year ended December 31, 2004 and December 31, 2003 were made to customers located outside of the United States and a larger portion of our revenues is denominated in foreign currencies. Historically, our international sales have been denominated in British pounds sterling, Euros or United States dollars. Conducting business in currencies other than U.S. dollars subjects us to fluctuations in currency exchange rates that could have a negative impact on our reported operating results. Fluctuations in the value of the U.S. dollar relative to other currencies impact our revenues, cost of revenues and operating margins and result in foreign currency translation gains and losses. For example, a decrease in the value of British pounds or Euros relative to United States dollars, if not hedged, will result in an exchange loss for us if we have Euro or British pounds sterling denominated sales. Conversely, an increase in the value of Euro and British pounds sterling will result in increased margins for us on Euro or British pounds sterling denominated sales as our functional currency is in United States dollars. For international sales that we would require to be United States dollar-denominated, such a decrease in the value of foreign currencies could make our systems less price-competitive if competitors choose to price in other currencies and could adversely affect our financial condition. We fund our Italian subsidiary's operating expenses, which are denominated in Euros. The current strength of the value of the Euro relative to the U.S. dollar results in more costly funding for our Italian operations, and, as a result, higher cost of production to it as a whole. Conversely, a decrease in the value of the Euro will result in cost savings for us.

Historically, we have not engaged in exchange rate-hedging activities. Although we may implement hedging strategies to mitigate this risk, these strategies may not eliminate our exposure to foreign exchange rate fluctuations and involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the strategy and potential accounting implications.

GOVERNMENTAL REGULATIONS AFFECTING MARKETS IN WHICH P-COM COMPETES COULD ADVERSELY AFFECT ITS BUSINESS AND RESULTS OF OPERATIONS.

Radio communications are extensively regulated by the United States and foreign governments as well as by international treaties. P-Com's systems must conform to a variety of domestic and international requirements established to, among other things, avoid interference among users of radio frequencies and to permit interconnection of equipment. Historically, in many developed countries, the limited availability of radio frequency spectrum has inhibited the growth of wireless telecommunications networks. Each country's regulatory process differs. To operate in a jurisdiction, P-Com must obtain regulatory approval for its systems and comply with differing regulations.

Regulatory bodies worldwide continue to adopt new standards for wireless telecommunications products. The delays inherent in this governmental approval process may cause the cancellation, postponement or rescheduling of the installment of communications systems by P-Com's customers and P-Com. The failure to comply with current or future regulations or changes in the interpretation of existing regulations could result in the suspension or cessation of operations. Those regulations or changes in interpretation could require P-Com to modify its products and services and incur substantial costs in order to comply with the regulations and changes.

In addition, P-Com is also affected by domestic and international authorities' regulation of the allocation and auction of the radio frequency spectra. Equipment to support new systems and services can be marketed only if permitted by governmental regulations and if suitable frequency allocations are auctioned to service providers. Establishing new regulations and obtaining frequency allocation at auction is a complex and lengthy process. If PCS operators and others are delayed in deploying new systems and services, P-Com could experience delays in orders. Similarly, failure by regulatory authorities to allocate suitable frequency spectrum could have a material adverse effect on P-Com's results. In addition, delays in the radio frequency spectra auction process in the United States could delay P-Com's ability to develop and market equipment to support new services. P-Com operates in a regulatory environment subject to significant change. Regulatory changes, which are affected by political, economic and technical factors, could significantly impact P-Com's operations by restricting its development efforts and those of its customers, making current systems obsolete or increasing competition. Any such regulatory changes, including changes in the allocation of available spectra, could have a material adverse effect on P-Com's business, financial condition and results of operations. P-Com may also find it necessary or advisable to modify its systems and services to operate in compliance with these regulations. These modifications could be expensive and time-consuming.

P-COM MAY ENTER INTO AGREEMENTS TO MERGE OR CONSOLIDATE WITH OTHER COMPANIES, AND IT MAY INCUR SIGNIFICANT COSTS IN THE PROCESS, WHETHER OR NOT THESE TRANSACTIONS ARE COMPLETED.

P-Com is currently evaluating options to consolidate, seek a strategic partner or engage in some other corporate transaction intended to increase stockholder value, any of which could be material to our business, operating results and financial condition. Corporate transactions, including mergers and acquisitions, are risky, are subject to a lengthy process to close and could divert management's time and focus from operating our business. P-Com may not be able to close any strategic transaction on the timetable it anticipates, if at all. If P-Com is unable to complete a corporate transaction, P-Com will incur significant non-recoverable expenses that may have a material adverse effect on P-Com's financial position. If a transaction is completed, it could result in unanticipated operating difficulties and expense and the anticipated benefits of the transaction may not materialize.

OUR BUSINESS AND GROWTH MAY SUFFER IF WE ARE UNABLE TO HIRE AND RETAIN KEY PERSONNEL WHO ARE IN HIGH DEMAND.

We depend on the continued contributions of our senior management and other key personnel, including Daniel W. Rumsey, the Chief Restructuring Officer, and Don Meiners, the Company's President. The loss of the services of any of either of these executives, or any of our key personnel could harm our business. We do not maintain key person life insurance policies on any of our executive officers. Competition for senior management in our industry is intense and we may not be able to retain our senior management or attract and retain new personnel in the future. Volatility or lack of performance in our stock price may also affect our ability to attract and retain our key personnel. Our future success also depends on our ability to identify, attract and retain highly skilled technical, managerial, finance and marketing personnel. Qualified individuals are in high demand, and we may incur significant costs to attract them. If we are unable to attract or retain the personnel we need to succeed, our business may suffer.

OUR OPERATING RESULTS IN THE PAST ARE NOT ANTICIPATED TO REFLECT OUR OPERATING RESULTS IN THE FUTURE, WHICH MAKES OUR RESULTS OF OPERATIONS DIFFICULT TO PREDICT.

As a result of Restructuring Plan, our future operating results will vary significantly from our past operating results. Factors that will significantly affect our operating results include the following:

o the divesture of certain licensed product lines, that in the year ended December 31, 2004, contributed approximately $10.2 in revenue to P-Com;

o the increased reliance on our RMA Business, that in the year ended December 31, 2004, contributed approximately $11.2 in revenue to P-Com; and

o the increased reliance on the sale of unlicensed radio products, that in the year ended December 31, 2004, contributed approximately $2.8 in revenue to P-Com.

As we execute our Restructuring Plan, these factors will cause our operating expenses to be disproportionately high or our gross revenues to be substantially lower in future periods.

THIRD PARTIES MAY SUE US FOR INTELLECTUAL PROPERTY INFRINGEMENT THAT, IF SUCCESSFUL, COULD REQUIRE US TO PAY SIGNIFICANT DAMAGE AWARDS OR LICENSING FEES.

We cannot be certain that we do not and will not infringe the intellectual property rights of others. We may be subject to legal proceedings and claims in the ordinary course of our business and third parties may sue us for intellectual property infringement or initiate proceedings to invalidate our intellectual property. Any intellectual property claims, whether or not meritorious, could result in costly litigation and could divert management resources and attention. Moreover, should we be found liable for infringement, we may be required to enter into licensing agreements (if available on acceptable terms or at all), pay damages or limit or curtail our product or service offerings. Moreover, we may need to redesign some of our products to avoid future infringement liability. Any of the foregoing could prevent us from competing effectively and harm our business and results of operations.

IF WE FAIL TO KEEP PACE WITH RAPIDLY CHANGING TECHNOLOGIES, WE COULD LOSE CUSTOMERS AND OUR SALES MAY DECLINE.

The telecommunications equipment industry is characterized by rapidly changing technologies, evolving industry standards, frequent new product and service introductions and changing customer demands. The introduction of new products and services embodying new technologies and the emergence of new industry standards and practices can render existing products and services obsolete and unmarketable or require unanticipated investments in technology. Our future success will depend on our ability to internally develop, source or license leading technologies to enhance our existing products and services, to develop new products and services that address the changing demands of our customers, and to respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. We may experience difficulties that could delay or prevent the successful design, development, introduction or marketing of new products and services. Any new products, services or enhancement that we develop will need to meet the requirements of our current and prospective customers and may not achieve significant market acceptance.

RISK RELATING TO CAPITAL MARKETS AND P-COM COMMON STOCK

THE NASDAQ SMALL CAP MARKET HAS DELISTED OUR STOCK AND OUR COMMON STOCK IS DEEMED TO BE "PENNY STOCK," WHICH MAY SEVERELY LIMIT THE ABILITY OF STOCKHOLDERS TO SELL OUR COMMON STOCK.

NASDAQ moved our stock listing from the NASDAQ National Market to the NASDAQ Small Cap Market effective August 27, 2002 due to our failure to meet certain listing requirements, including a minimum bid price of $1.00 per share. We subsequently failed to meet certain NASDAQ Small Cap Market quantitative listing standards, including a minimum $1.00 per share bid price requirement, and the NASDAQ Listing Qualifications Panel determined that our stock would no longer be listed on the NASDAQ Small Cap Market. Effective March 10, 2003, our Common Stock commenced trading electronically on the OTC Bulletin Board of the National Association of Securities Dealers, Inc. This move could result in a less liquid market available for existing and potential stockholders to trade shares of our Common Stock and could ultimately further depress the trading price of our Common Stock.

Our Common Stock is subject to the Securities Exchange Commission's "penny stock" regulation. For transactions covered by this regulation, broker-dealers must make a special suitability determination for the purchase of the securities and must have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, the rules generally require the delivery, prior to the transaction, of a risk disclosure document mandated by the SEC relating to the penny stock market. The broker-dealer is also subject to additional sales practice requirements. Consequently, the penny stock rules may restrict the ability of broker-dealers to sell the company's Common Stock and may affect the ability of holders to sell the Common Stock in the secondary market, and the price at which a holder can sell the Common Stock.

OUR STOCK PRICE HAS BEEN VOLATILE AND HAS EXPERIENCED SIGNIFICANT DECLINE, AND MAY CONTINUE TO BE VOLATILE AND DECLINE.

Our common stock currently trades sporadically on the OTC Bulletin Board. The market for our common stock may continue to be an inactive market, and the market price of our common stock may experience significant volatility. In recent years, the stock market in general, and the market for shares of small capitalization technology stocks in particular, have experienced extreme price fluctuations. These fluctuations have often negatively affected small cap companies such as ours, and may impact our ability to raise equity capital in periods of liquidity crunch. Companies with liquidity problems also often experience downward stock price volatility. We believe that factors such as announcements of developments related to our business (including any financings or any resolution of liabilities), announcements of technological innovations or new products or enhancements by us or our competitors, developments in the emerging countries' economies, sales by competitors, sales of significant volumes of our Common Stock into the public market, developments in our relationships with customers, partners, lenders, distributors and suppliers, shortfalls or changes in revenues, gross margins, earnings or losses or other financial results that differ from analysts' expectations, regulatory developments, fluctuations in results of operations could and have caused the price of our Common Stock to fluctuate widely and decline over the past two years. The market price of our Common Stock may continue to decline, or otherwise continue to experience significant fluctuations in the future, including fluctuations that are unrelated to our performance, and our stockholders may not be able to resell shares of our Common Stock at or above the price paid for those shares.

ISSUING SECURITIES AS A MEANS OF RAISING CAPITAL AND THE FUTURE SALES OF THESE SECURITIES IN THE PUBLIC MARKET COULD LOWER P-COM'S STOCK PRICE AND ADVERSELY AFFECT ITS ABILITY TO RAISE ADDITIONAL CAPITAL IN SUBSEQUENT FINANCINGS.

P-Com has traditionally relied on debt and equity financings to meet its working capital needs including the issuances of Series B Convertible Preferred Stock in August 2003 and Series C Convertible Preferred Stock in October and December 2003. In addition, as a result of borrowings under the Debenture Facility, P-Com anticipates issuing up to an additional 6.0 million shares of Common Stock in connection with the scheduled amortization payments. When the shares of Common Stock that are issuable upon conversion of our preferred stock, or paid in connection with required amortization payments, are subsequently sold in the public market, the trading price of P-Com Common Stock may be negatively affected. As of December 31, 2004, the last reported sale price of P-Com common stock was $0.44. Future sales of P-Com's Common Stock or the perception that future sales will occur could have a significant negative effect on the market price of P-Com's Common Stock. If the market price of P-Com Common Stock continues to decrease, P-Com may not be able to conduct additional financings in the future on acceptable terms or at all, and its ability to raise additional capital will be significantly limited.

THE CONVERSION OR EXERCISE OF P-COM'S OUTSTANDING CONVERTIBLE SECURITIES WILL HAVE A SIGNIFICANT DILUTIVE EFFECT ON P-COM'S EXISTING STOCKHOLDERS.

In March, May and July 2003, P-Com issued warrants to purchase approximately 293,333 shares of its Common Stock. In August 2003, P-Com's remaining 7% Convertible Subordinated Notes due 2005 were converted into approximately one million shares of Series B Convertible Preferred Stock, of which approximately 891,594 shares were converted into approximately 3.1 million shares of Common Stock in December 2003. The remaining outstanding shares of Series B Convertible Preferred Stock are convertible into approximately 381,916 shares of P-Com Common Stock.

In October and December 2003, P-Com issued approximately 10,000 shares of Series C Convertible Preferred Stock together with warrants to purchase approximately 4.64 million shares of Common Stock. These shares of Series C Convertible Preferred Stock are convertible into approximately 5.8 million shares of Common Stock. In December 2003, P-Com issued 2,000 shares of Series D Convertible Preferred Stock, which, in turn, are convertible into approximately 444,444 shares of Common Stock. The conversion or exercise of these securities will result in substantial dilution to P-Com's existing stockholders.

In December 2003, P-Com also issued 2,116,667 shares of its Common Stock in connection with the SPEEDCOM Acquisition. This issuance resulted in substantial dilution to P-Com's existing stockholders. P-Com may issue additional shares of common stock in the future, which would further dilute its stockholders.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of our common stock by the selling stockholders. If and when our outstanding convertible preferred stock is converted by the selling stockholders into shares of our common stock, we will not receive any proceeds from the conversion. If and when the warrants are exercised by the selling stockholders for shares of our common stock, we will receive the proceeds from the exercise of those warrants, but only to the extent that the exercise price of the warrants is paid in cash. The warrants held by the selling stockholders may be exercised through a cashless exercise, in which event, we will not receive any proceeds from the exercise. If these warrants are exercised and the exercise price is paid in cash, we will receive net proceeds of approximately $1.2 million, which we will use for general corporate purposes, including working capital for our business.

SELLING STOCKHOLDERS

The following table sets forth the names of the selling stockholders and the number of shares of common stock being registered for sale as of the date of this prospectus and sets forth the number of shares of common stock known by us to be beneficially owned by the selling stockholders. The following table assumes that each selling stockholder will sell all of the shares of common stock being offered by this prospectus for its account. However, we are unable to determine the exact number of shares that will actually be sold. The shares of common stock offered by this prospectus may be offered from time to time by the selling stockholders. This information is based upon information provided by the selling stockholders, and is not necessarily indicative of beneficial ownership for any other purpose. The number of shares of common stock beneficially owned by the selling stockholders is determined in accordance with the rules of the Securities and Exchange Commission.

For some of the selling stockholders, the number of shares of common stock being sold in the offering will be greater than the number of shares of common stock beneficially owned prior to the offering. This is due to a limitation on the number of shares of common stock that these selling stockholders can hold at any given time. Under the terms of our convertible preferred stock and some of our warrants, no holder of these securities may convert or exercise these securities into shares of our common stock, and we may not issue shares of our common stock to any of these holders, if the conversion or exercise would cause the holder or any of its affiliates, individually or in the aggregate, to beneficially own more than 4.99% or 9.999%, as the case may be, of our outstanding common stock. Due to this limitation, some of the selling stockholders do not beneficially own all of the shares of common stock that are issuable upon conversion of their convertible preferred stock or upon exercise of some of their warrants. However, regardless of this limitation, we are obligated to register the resale of all of the shares of common stock that are issuable upon conversion or exercise of these securities. Consequently, some of the selling stockholders are shown in the table below as selling a greater number of shares of common stock than they beneficially own.

Except with respect to George Roberts, our Chairman of the Board, Daniel W. Rumsey, our Chief Restructuring Officer and one of our directors, Fred Fromm, one of our directors, and R. Craig Roos, one of our directors, none of the selling stockholders has had a material relationship with us within the past three years other than as a result of its ownership of our securities.

The term "selling stockholder" includes the stockholders listed below and their transferees, assignees, pledgees, donees or other successors. The percent of beneficial ownership for each selling stockholder is based on 11,810,280 shares of common stock outstanding as of January 10, 2005. Shares of common stock subject to warrants, options and other convertible securities that are currently exercisable or exercisable within 60 days of January 10, 2005, are considered outstanding and beneficially owned by the selling stockholder who holds those warrants, options or other convertible securities for the purpose of computing the percentage ownership of that selling stockholder but are not treated as outstanding for the purpose of computing the percentage ownership of any other selling stockholder.

NAME OF SELLING STOCKHOLDER	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING NUMBER (2)	%	SHARES OF COMMON STOCK BEING SOLD IN THE OFFERING COMMON STOCK	UPON CONVERSION OF SERIES C PREFERRED STOCK (2)(3)	UPON EXERCISE OF C WARRANTS (2)(3)
North Sound Legacy Fund LLC(5)(6)	1,621,031	13.73%	78,733	62,147	--
North Sound Legacy Institutional Fund LLC (5)(6)	1,621,031	13.73%	708,875	573,990	--
North Sound Legacy International Ltd. (5)(6)	1,621,031	13.73%	833,423	724,197	--
SDS Capital Group SPC, Ltd.	1,274,548	9.98%	319,548	155,000	--
CGA Resources LLC	338,319	2.86%	338,319	--	--
SF Capital Partners	464,166	3.86%	259,998	204,168	--
Alpha Capital	336,666	2.79%	91,665	136,112	108,889
Crestview Capital Fund II LP	313,099	2.61%	124,799	148,167	40,133
Castle Creek Technology Partners LLC	301,350	2.49%	--	167,417	133,933
Cagan McAfee Capital Partners	253,333	2.10%	--	--	133,333
Jerdan Enterprises	216,610	1.83%	216,610	--	--
Sam Eyde	185,666	1.56%	103,999	81,667	--
Agilent Financial Services, Inc.	178,571	1.49%	--	--	--
Samuel Smookler & Miriam Smookler	175,889	1.48%	9,167	13,611	10,889
Brian M. Herman	117,925	*	56,999	27,222	--
Bryan Family Partnership LLP II	116,123	*	33,333	45,994	36,795
Paul A. Kruger	96,831	*	23,331	40,834	32,667
Gamma Opportunity Capital Partners, LP	93,667	*	22,778	33,334	37,556
Charles P Strogen	92,833	*	52,000	40,834	--
Platinum Partners Arbitrage Fund LP	87,111	*	--	--	87,111
Julie L. Michel	86,166	*	45,332	40,834	--
HeliOss Communications, Inc.	80,000	*	80,000	--	--
George Roberts (8)	78,966	*	17,333	13,611	--
Michel Pokel	67,671	*	67,671	--	--
Allan Rothstein	49,000	*	--	27,222	21,778

Arnold E. Ditri	49,000	*	--	27,222	21,778
Bridges & Pipes LLC	67,333	*	18,333	27,222	21,778
Wardenclyffe Micro Cap Fund	67,333	*	18,333	27,222	21,778
Global eMedicine, Inc., MPPP	67,333	*	45,555	--	21,778
Bristol Investment Fund	66,669	*	--	66,669	--
RHP Master Fund LTD	66,122	*	66,122	--	--
Harry Falterbauer	65,334	*	24,500	40,834	--
Stuart Jacobson	64,027	*	64,027	--	--
Bullbear Capital Partners LLC	61,889	*	34,666	27,222	--

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NAME OF SELLING STOCKHOLDER	SHARES OF COMMON STOCK BEING SOLD IN THE OFFERING			SHARES BENEFICIALLY OWNED AFTER THE OFFERING(1)	
	UPON EXERCISE OF OTHER WARRANTS	UPON CONVERSION OF SERIES B OR SERIES DPREFERRED STOCK (2)(3)	PAYMENT OF DEBENTURE FACILITY(4)	NUMBER	%
North Sound Legacy Fund LLC(5)(6)	--	48,741		--	*
North Sound Legacy Institutional Fund LLC (5)(6)	--	368,679		--	*
North Sound Legacy International Ltd. (5)(6)	--	408,940		--	*
SDS Capital Group SPC, Ltd.	800,000	--	6,000,000	--	*
CGA Resources LLC	--	--		--	*
SF Capital Partners		--		--	--
Alpha Capital	--	--		--	*
Crestview Capital Fund II LP	--			--	*
Castle Creek Technology Partners LLC	--	--		--	*
Cagan McAfee Capital Partners	120,000	--			*
Jerdan Enterprises	--	--			*
Sam Eyde	--	--			*
Agilent Financial Services, Inc.	178,571			--	*
Vitel Ventures Corporation	--	--		--	*
Leviticus Partners LP	--	--		--	*
Samuel Smookler & Miriam Smookler (7)	86,667	--		--	*
Brian M. Herman	33,703	--		--	*
Bryan Family Partnership LLP II	2,000,000	--		--	*
Ellis International	--	--		--	*
Paul A. Kruger	--	--		--	*
Gamma Opportunity Capital Partners, LP	--	--		--	*
Charles P Strogen	--	--		--	*
Platinum Partners Arbitrage Fund LP	--	--		--	*
Julie L. Michel	--	--		--	*
HeliOss Communications, Inc. --	--	--		--	*
George Roberts (8)	--	--		--	*

Michel Pokel	--	--	--	*
Allan Rothstein	--	--	--	*
Arnold E. Ditri	--	--	--	*
Bridges & Pipes LLC	--	--	--	*
Wardenclyffe Micro Cap Fund	--	--	--	*
Global eMedicine, Inc., MPPP	--	--	--	*
Bristol Investment Fund	--	--	--	*
RHP Master Fund LTD	--	--	--	*
Harry Falterbauer	--	--	--	*
Stuart Jacobson	--	--	--	*
Bullbear Capital Partners LLC	--	--	--	*

NAME OF SELLING STOCKHOLDER	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING NUMBER (2)	%	SHARES OF COMMON STOCK BEING SOLD IN THE OFFERING COMMON STOCK	UPON CONVERSION OF SERIES C PREFERRED STOCK (2)(3)	UPON EXERCISE OF C WARRANTS (2)(3)
Capela Overseas LTD	61,889	*	34,666	27,222	--
John M. Somody	61,889	*	34,666	27,222	--
Ralph Rybaki	61,889	*	34,666	27,222	--
Richard & Beverly Mehrlich	61,888	*	61,888	--	--
Alfred J. Anzalone Family Limited Partnership	61,500	*	8,250	12,250	41,000
Spectra Capital Management LLC	60,000	*	--	33,333	26,667
First Mirage, Inc.	59,850	*	33,250	--	26,600
Frederic M. Bauthier	56,889	*	29,666	27,222	--
Eric T. Singer	56,213	*	10,519	15,619	12,495
Jules Nordlicht	54,445	*	--	--	54,445
Stonestreet LP	54,445	*	--	--	54,445
Joseph R. McCandless	50,500	*	34,167	--	16,333
Liviakis Financial Communications	50,000	*	50,000	--	--
George Manos	49,511	*	27,733	21,778	--
Dana Ennis	46,417	*	26,000	20,417	--
UMAI	45,455	*	45,455	--	--
Vitel Ventures Corporation	43,556	*	--	--	43,556
Carlos Belfiore	43,134	*	--	--	--
Al Pokel	41,606	*	41,606	--	--
Robert and Sandra Neborsky	41,458	*	27,030	14,428	--
Harry Rosen FBO Rosen Rosen Kreiling PA 401K PSP	40,400	*	11,000	16,333	13,067
Leviticus Partners LP	39,200	*	--	--	39,200
Fred & Delay Vallen	37,133	*	20,800	16,333	--
Robert W. Duggan	35,933	*	--	--	35,933
Ronald Shear	35,350	*	9,625	14,292	11,433
Scot A. Kane	34,039	*	19,067	14,972	--
Philip C. Bird	33,888	*	16,874	17,014	--
Charles Pradilla	33,667	*	9,167	13,611	10,889
Daryl Demsko	33,666	*	22,778	--	10,889
Robert Melnick	33,666	*	22,778	--	10,889
WEC Partners LLC	33,666	*	22,778	--	10,889
West End Convertible Fund LP	33,666	*	22,778	--	10,889
Whalehaven Fund Ltd.	32,667	*	--	--	32,667
Ellis International	32,667	*	--	--	32,667

James K. Lehman	31,660	*	31,660	--	--
Christopher P. Choma	30,944	*	17,333	13,611	--
Craig Roos (11)	30,944	*	17,333	13,611	--
David Wilstein and Susan Wilstein (12)	30,944	*	17,333	13,611	--
Don Zoltan	30,944	*	17,333	13,611	--
John O. Johnston	30,944	*	17,333	13,611	--
Doug Levine	30,944	*	30,944	--	--
Michael Rucker (13)	30,944	*	30,944	--	--
Jack Gilbert	30,944	*	30,944	--	--
Michael Liss	30,944	*	30,944	--	--

	SHARES OF COMMON STOCK BEING SOLD IN THE OFFERING			SHARES BENEFICIALLY OWNED AFTER THE OFFERING(1)	
NAME OF SELLING STOCKHOLDER	UPON EXERCISE OF OTHER WARRANTS	UPON CONVERSION OF SERIES B OR SERIES D PREFERRED STOCK (2)(3)	UPON PAYMENT OF DEBENTURE FACILITY (4)	NUMBER	%
Capela Overseas LTD	--	--		--	*
John M. Somody	--	--		--	*
Ralph Rybaki	--	--		--	*
Richard & Beverly Mehrlich	--	--		--	*
Alfred J. Anzalone Family Limited Partnership	--	--		--	*
Spectra Capital Management LLC	--	--		--	*
First Mirage, Inc.	--	--		--	*

Frederic M. Bauthier

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Eric T. Singer

17,581

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Jules Nordlicht

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Stonestreet LP

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Joseph R. McCandless

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Liviakis Financial Communications

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George Manos

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Dana Ennis

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Margaret Josling (9)

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TKB Ventures Ltd. (Brian Josling) (9)

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UMAI

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	*
Al Pokel	
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	*
Robert and Sandra Neborsky	
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	*
Fred Fromm (10)	
	--
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	*
Harry Rosen FBO Rosen Rosen Kreiling PA 401K PSP	
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	*
Fred & Delay Vallen	
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Robert W. Duggan	
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Ronald Shear	
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Scot A. Kane	
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Philip C. Bird	
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Charles Bradley	
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Charles Pradilla

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Justin Yue Tang

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Daryl Demsko

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David & Marilyn Balk JT WR0S

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Jeffrey Schnipper

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Mark Capital LLC

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Richard Melnick

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Robert Melnick

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WEC Partners LLC

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West End Convertible Fund LP

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Strategic Partners Ltd.

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Whalehaven Fund Ltd.

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James K. Lehman

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Christopher P. Choma

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Craig Roos (11)

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David Wilstein and Susan Wilstein (12)	--	--	--	*
Don Zoltan	--	--	--	*
John O. Johnston	--	--	--	*
Doug Levine	--	--	--	*
Michael Rucker (13)	--	--	--	

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Jack Gilbert	
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Michael Liss	
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	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING		SHARES OF COMMON STOCK BEING SOLD IN THE OFFERING		
NAME OF SELLING STOCKHOLDER	NUMBER (2)	%	COMMON STOCK	UPON CONVERSION OF SERIES C PREFERRED STOCK (2)(3)	UPON EXERCISE OF C WARRANTS (2)(3)
Michael P. Rucker	30,944	*	30,944	--	--
Philip R. Clark	30,944	*	30,944	--	--
Thomas Contino	30,944	*	30,944	--	--
Alan Ennis, Sandra Ennis	30,750	*	4,125	6,125	20,500
Ronald H. Wise	27,850	*	15,600	12,250	--
Peter & Janis Hillcoff	27,822	*	15,584	12,238	--
F. Berdon Defined Benefit Plan	27,332	*	10,999	16,333	--
Allen Solomon (14)	26,933	*	18,222	--	8,711
Matthew Balk	25,471	*	--	--	--
David Wiener (15)	24,756	*	13,867	10,889	--
Paul Blizman	24,756	*	13,867	10,889	--
Charles Bradley	24,500	*	--	13,611	10,889
Justin Yue Tang	24,500	*	--	13,611	10,889
Randy Tuggle	23,832	*	12,943	--	10,889
Allen Weiss	22,443	*	22,443	--	--
Gerald Ferro	21,778	*	8,167	13,611	--
Platinum Partners Global Macro Fund LP	21,778	*	--	--	21,778
Walter Kuharchik	21,778	*	8,167	13,611	

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Dennis & Cindy Pak

21,777

*

8,166

13,611

--

Rodd Friedman

21,000

*

11,667

--

9,333

Fred Fromm (10)

20,883

*

6,925

5,438

--

Brad Reifler

20,237

*

--

--

--

Hilary Bergman

20,237

*

--

--

--

Elaine Dines

20,200

*

13,667

--

6,533

Michael Loew

20,200

*

13,667

--

6,533

Rudolf Konegan

20,200

*

5,500

8,167

6,533

Greenwich Growth Fund LTD

20,055

*

9,167

--

10,889

Nathaniel Orme (IRA)

19,556

*

12,750

6,806

--

C/F Sean M. Callahan SEP/IRA

19,038

*

8,149

10,889

--

Dan Foley

18,900

*

10,500

--

8,400

Dana Bowler

18,567

*

	10,400
	8,167
	--
Louis Cristan, Kathy Cristan	
	18,567
	*
	10,400
	8,167
	--
Thomas K. Beard	
	18,567
	*
	10,400
	8,167
	--
Nathaniel Orme	
	17,695
	*
	4,083
	13,611
	--
Riaz Don	
	17,448
	*
	17,448
	--

					--
James R and Diane R Fisher (16)	17,019	*	9,533	7,486	--
Scott C. Paston	5,444	*	--	--	5,444
Salvatore Ianuzzi, Bonita Ianuzzi	16,833	*	4,583	6,806	5,444
Gregg Sedun	16,823	*	4,581	6,802	5,441

Bruce Newberg (17)	16,667	*	16,667	--	--
Woodmont Investments Limited	16,667	*	16,667	--	--
Julius H. Roma (18)	15,944	*	10,500	--	5,444
Mark Collins	15,622	*	10,569	--	5,052
Andrew J. Dauro	15,473				

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15,473

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NAME OF SELLING STOCKHOLDER	SHARES OF COMMON STOCK BEING SOLD IN THE OFFERING UPON EXERCISE OF OTHER WARRANTS	UPON CONVERSION OF SERIES B OR SERIES D PREFERRED STOCK (2)(3)	UPON PAYMENT OF DEBENTURE FACILITY (4)	SHARES BENEFICIALLY OWNED AFTER THE OFFERING(1) NUMBER	%
Michael P. Rucker	--	--		--	*
Philip R. Clark	--	--		--	*
Thomas Contino	--	--		--	*
Alan Ennis, Sandra Ennis	--	--		--	*
Ronald H. Wise	--	--		--	*
Peter & Janis Hillcoff	--	--		--	*
F. Berdon Defined Benefit Plan	--	--		--	*
Allen Solomon (14)	--	--		--	*
Matthew Balk	25,471	--		--	*
David Wiener (15)	--	--		--	*
Paul Blizman	--	--		--	*
Randy Tuggle	--	--		--	*
Allen Weiss	--	--		--	*
Gerald Ferro	--	--		--	*
Platinum Partners Global Macro Fund LP	--	--		--	*
Walter Kuharchik	--	--		--	*

Dennis & Cindy Pak	
	--
	--
	--
	*
Rodd Friedman	
	--
	--
	--
	*
Brad Reifler	
	20,237
	--
	--
	*
Hilary Bergman	
	20,237
	--
	--
	*
Elaine Dines	
	--
	--
	--
	*
Michael Loew	

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Rudolf Konegan

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Greenwich Growth Fund LTD

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Nathaniel Orme (IRA)

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Hudson Valley Capital Management

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C/F Sean M. Callahan SEP/IRA

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Dan Foley

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Dana Bowler

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Louis Cristan, Kathy Cristan

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Thomas K. Beard

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Nathaniel Orme

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Riaz Don

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James R and Diane R Fisher (16)

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Alan Sheinwald

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Gary Ziegler

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Jared Shaw

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Jeff Hermanson

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John C. Buser

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Michael J. Weiss

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Michael Kooper

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Northbar Capital Inc.

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RA Schafer

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Richard L. Taney

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Scott C. Paston

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Salvatore Ianuzzi, Bonita Ianuzzi

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Gregg Sedun

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			--	*
Bruce Newberg (17)	--	--	--	*
Woodmont Investments Limited	--	--	--	*
Julius H. Roma (18)	--	--	--	*
Mark Collins	--	--	--	*
Andrew J. Dauro	--	--	--	

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	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING		SHARES OF COMMON STOCK BEING SOLD IN THE OFFERING		
NAME OF SELLING STOCKHOLDER	NUMBER (2)	%	COMMON STOCK	UPON CONVERSION OF SERIES C PREFERRED STOCK (2)(3)	UPON EXERCISE OF C WARRANTS (2)(3)
Brian Judge & Diana Garehitorena	15,473	*	15,473	--	--
Mario Cassara & Iris Cassara	15,473	*	15,473	--	--
Norbert Olinger	15,473	*	15,473	--	--
North Metropolitan Radiology Assoc, LLP 401K Profit Sharing Plan FBO: Stuart Jacobson	15,473	*	15,473	--	--
Oscar Garza	15,473	*	15,473	--	--
Paul Russo III	15,473	*	15,473	--	--
Robert B. Kinney	15,473	*	15,473	--	--
Gene Salkind	15,472	*	8,667	6,806	--
Jeffrey Cox	15,472	*	8,667	6,806	--
Jerome L. Dreyfuss	15,472	*	8,667	6,806	--
Richard Weiner	15,472	*	8,667	6,806	--
Steven J. Cooper	15,472	*	8,667	6,806	--
Thomas J. Franco	15,472	*	8,667	6,806	--
Judith Ellen Olinger (19)	15,471	*	15,471	--	--
Margaret Josling (9)	15,414	*	4,555	--	2,178
TKB Ventures Ltd. (Brian Josling) (9)	15,414	*	4,555	--	2,178
Hudson Valley Capital Management	14,476	*	14,476		

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Monad Realty Inc.

13,925

*

7,800

6,125

--

W.M. Sherman

13,925

*

7,800

6,125

--

Michael Rapp

13,333

*

--

--

--

Ashraf Abdelaal

13,221

*

7,777

--

5,444

Robert Klein and Myriam Gluck	13,067	*	13,067	--	--
Broadband Capital Management	12,998	*	--	--	--
Greg Downes	12,378	*	6,933	5,444	--
Margaret & Donald Wisnasky	12,378	*	6,933	5,444	--
Peter Yaskowitz					

12,378

*

6,933

5,444

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David & Marilyn Balk JT WROS

10,889

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10,889

Jeffrey Schnipper

10,889

*

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10,889

Mark Capital LLC

10,889

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10,889

Richard Melnick

10,889

*

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10,889

SDIRA FBO Davina Lockhart

10,889

*

4,083

6,806

--

SDIRA FBO Roger Lockhart

10,889

*

4,083

6,806

--

William M. Levin

10,889

*

4,083

6,806

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Strategic Partners Ltd.

10,886

*

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10,886

Reginald T. Grzeskowiak & Nancy Grzeskowiak

10,100

*

2,750

4,083

3,267

Silicon Valley Bank

10,000

*

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SDIRA FBO Alan E. Ennis (SEP/IRA)

9,800

*

3,675

6,125

--

Mark Ford

9,644

*

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James St. Clair	9,406	*	1,633	2,722	--
John Jay Gebhardt	9,333	*	9,333	--	--
Allan L. Sparlin	9,283	*	5,200	4,083	--
SDIRA FBO Robert Vaughan	9,283	*	5,200	4,083	--
Alan Cohen					

9,044

*

3,600

5,444

--

Sean Callahan

8,750

*

--

--

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John Simonelli

8,702

*

3,263

5,439

--

Bedding Discounts

8,417

*

5,695

--

2,722

Thomas A.Counts

8,166

*

8,166

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Alan Robbins

7,736

*

7,736

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Louis Berrick

7,736

*

7,736

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Ronald L. Nilsen

7,736

*

7,736

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--

James E. Ducharme

7,736

*

4,333

3,403

--

John A. Marrone

7,736

*

4,333

3,403

--

Robert Dombrowski

7,672

*

1,633

2,722

--

John Green

7,418

*

--

--

2,178

Samson Consulting Corp

6,733

*

4,555

--

2,178

Phil Wagenheim	6,667
	*
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NAME OF SELLING STOCKHOLDER	SHARES OF COMMON STOCK BEING SOLD IN THE OFFERING UPON EXERCISE OF OTHER WARRANTS	UPON CONVERSION OF SERIES B OR SERIES D PREFERRED STOCK (2)(3)	UPON PAYMENT OF DEBENTURE FACILITY (4)	SHARES BENEFICIALLY OWNED AFTER THE OFFERING(1) NUMBER	%
Brian Judge & Diana Garehitorena	--	--		--	*
Mario Cassara & Iris Cassara	--	--		--	*
Norbert Olinger	--	--		--	*
North Metropolitan Radiology Assoc, LLP 401K Profit Sharing Plan FBO: Stuart Jacobson	--	--		--	*
Oscar Garza	--	--		--	*
Paul Russo III	--	--		--	*
Robert B. Kinney	--	--		--	*
Gene Salkind	--	--		--	*
Jeffrey Cox	--	--		--	*
Jerome L. Dreyfuss	--	--		--	*
Richard Weiner	--	--		--	*
Steven J. Cooper	--	--		--	*
Thomas J. Franco	--	--		--	*
Judith Ellen Olinger (19)	--	--		--	*
Monad Realty Inc.	--	--		--	*
W.M. Sherman	--	--		--	*
Michael Rapp	13,333	--		--	*
Ashraf Abdelaal	--	--		--	*
Robert Klein and Myriam Gluck	--	--		--	*
Broadband Capital Management	12,998	--		--	*
Greg Downes	--	--		--	*
Margaret & Donald Wisnasky	--	--		--	*
Peter Yaskowitz	--	--		--	*
Carlos Belfiore	11,667	--		--	*
SDIRA FBO Davina Lockhart	--	--		--	*
SDIRA FBO Roger Lockhart	--	--		--	*
William M. Levin	--	--		--	*
Reginald T. Grzeskowiak & Nancy Grzeskowiak					

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*

Silicon Valley Bank

10,000

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*

SDIRA FBO Alan E. Ennis (SEP/IRA)

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*

Mark Ford

9,644

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--

*

James St. Clair

5,050

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*

John Jay Gebhardt

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*

Allan L. Sparlin

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*

SDIRA FBO Robert Vaughan

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*

Alan Cohen

--

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*

Sean Callahan

8,750

--

--

*

John Simonelli

--

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*

Bedding Discounts

--

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*

Thomas A.Counts

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Alan Robbins

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Louis Berrick

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Ronald L. Nilsen

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James E. Ducharme

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*

John A. Marrone

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*

Robert Dombrowski

3,317

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*

John Green

5,240

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*

Samson Consulting Corp

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	*
Phil Wagenheim	
	6,667
	--
	--
	*

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NAME OF SELLING STOCKHOLDER	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING NUMBER (2)	%	SHARES OF COMMON STOCK BEING SOLD IN THE OFFERING COMMON STOCK	UPON CONVERSION OF SERIES C PREFERRED STOCK (2)(3)	UPON EXERCISE OF C WARRANTS (2)(3)
James C. Craig Jr	6,533	*	2,450	4,083	--
Martin & Linda Mennes	6,533	*	2,450	4,083	--
Claude Ware	6,288	*	--	--	--
Claude & Hee Jin Ware	6,189	*	3,467	2,722	--
Jacob Kohannim	6,189	*	3,467	2,722	--
Jean Zurstrassen	6,189	*	3,467	2,722	--
Robert E. Dettle	6,189	*	3,467	2,722	--
SDIRA FBO John Green (Roth/IRA)	6,189	*	3,467	2,722	--
Tracy Standridge, Kay L Standridge	6,189	*	3,467	2,722	--
Gregoire Dstreel	6,189	*	6,189	--	--
Wolfe LP	5,693	*			

	5,693		--	--	
Byron Rosenstein	5,444	*	--	--	5,444
Alan Sheinwald	5,444	*	--	--	5,444
Gary Ziegler	5,444	*	--	--	5,444
Jared Shaw	5,444	*	--		

--

5,444

Jeff Hermanson

5,444

*

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--

5,444

John C. Buser

5,444

*

--

--

5,444

Michael J. Weiss

5,444

*

--

--

5,444

Michael Kooper

5,444

*

--

--

5,444

Northbar Capital Inc.	5,444	*	--	--	5,444
RA Schafer	5,444	*	--	--	5,444
Richard L. Taney	5,444	*	--	--	5,444
Earl P. Correa	4,642	*	2,600	2,042	--
Paul Sanberg					

4,642

*

2,600

2,042

--

Michael J. Leja (20)

4,556

*

1,833

2,722

--

David P. Garmus, Caren M. Garmus

4,414

*

4,414

--

--

SDIRA FBO Rosa Maria Lukens

4,373

*

2,331

2,042

--

Kimball & Cross Investment Management Corp.

3,686

*

--

--

--

Market Pathways Financial

3,094

*

1,733

1,361

--

William Tonyes

3,094

*

1,733

1,361

--

SDIRA FBO David W. Komar ROL IRA

3,094

*

1,733

1,361

--

David & Michael Lega

2,722

*

--

	2,722				--
Gary Miller	2,450	*	2,450	--	--
William King	2,041	*	2,041	--	--
Elliott Smith	1,667	*	--	--	--
Jeffrey Meshel	1,667	*	--	--	--

Karl Brenza

1,667

*

--

--

--

Chris Shufeldt

1,519

*

--

--

--

Daniel Pietro

833

*

--

--

--

Roger Lockhart

833

*

--

--

--

Thomas Corona

400

*

--

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Gene Super

340

*

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NAME OF SELLING STOCKHOLDER	SHARES OF COMMON STOCK BEING SOLD IN THE OFFERING UPON EXERCISE OF OTHER WARRANTS	UPON CONVERSION OF SERIES B OR SERIES D PREFERRED STOCK (2)(3)	UPON PAYMENT OF DEBENTURE FACILITY (4)	SHARES BENEFICIALLY OWNED AFTER THE OFFERING(1) NUMBER	%
James C. Craig Jr	--	--		--	*
Martin & Linda Mennes	--	--		--	*
Claude Ware	6,288	--		--	*
Claude & Hee Jin Ware	--	--		--	*
Jacob Kohannim	--	--		--	*
Jean Zurstrassen	--	--		--	*
Robert E. Dettle	--	--		--	*
SDIRA FBO John Green (Roth/IRA)	--	--		--	*
Tracy Standridge, Kay L Standridge	--	--		--	*
Gregoire Dstreel	--	--		--	*
Wolfe LP	--	--			

--

*

Byron Rosenstein

--

--

--

*

Earl P. Correa

--

--

--

*

Paul Sanberg

--

--

--

*

Michael J. Leja (20)

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*

David P. Garmus, Caren M. Garmus

--

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--

*

SDIRA FBO Rosa Maria Lukens

--

--

--

*

Kimball & Cross Investment Management Corp.

3,686

--

--

*

Market Pathways Financial

--

--

--

*

William Tonyes

--

--

--

*

SDIRA FBO David W. Komar ROL IRA

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	*
David & Michael Lega	
	--
	--
	--
	*
Gary Miller	
	--
	--
	--
	*
William King	
	--
	--
	--
	*
Elliott Smith	
	1,667
	--
	--
	*
Jeffrey Meshel	
	1,667
	--
	--

*

Karl Brenza

1,667

--

--

*

Chris Shufeldt

1,519

--

--

*

Daniel Pietro

833

--

--

*

Roger Lockhart

833

--

--

*

Thomas Corona

400

--

--

*

Gene Super	340	--	--	*

* Less than 1%.

(1) Assumes that all shares being offered by each selling stockholder under this prospectus are sold and that each selling stockholder acquires no additional shares of common stock before the completion of this offering.

(2) The holders of the Series B Convertible Preferred Stock, the Series C Convertible Preferred Stock and the Series D Convertible Preferred Stock are subject to a conversion blocker that caps the number of shares eligible for conversion so that the holder will not beneficially own more than 9.999% of the outstanding Common Stock after such conversion. The 9.999% conversion blocker currently prevents North Sound Legacy Fund LLC, North Sound Legacy Institutional Fund LLC, North Sound Legacy International Ltd, and SDS Capital Group SPC, Ltd. from converting any of their Convertible Preferred Stock into shares of common stock. North Sound Legacy Fund LLC, North Sound Legacy Institutional Fund LLC and North Sound Legacy International Ltd. are the only holders of the Series B Convertible Preferred Stock and the Series D Convertible Preferred Stock.

(3) Under an agreement between P-Com and the holders of the Series C Convertible Preferred Stock, Series D Convertible Preferred Stock and P-Com's Series C Warrants, P-Com is required to register the resale of a number of shares equal to 125% of the shares of common stock initially issuable upon conversion or exercise of these securities. This results in the following additional shares being registered for resale by the selling stockholders, which are not reflected in the table above:

Series C Convertible Preferred Stock	884,713
Series D Convertible Preferred Stock	111,111
Series C Warrants	366,675
Total Additional Shares Being Registered	1,362,499

(4) Under an agreement between P-Com and SDS Capital Group SPC, Ltd., P-Com is required to register the resale of a number of shares equal to 6,000,000 shares of Common Stock which shares may be used to make quarterly installment payments to SDS Capital Group SPC, Ltd. under the Promissory Notes, dated November 26, 2004 and March 21, 2005. The warrants consist of 528,000 shares which have been issued and include an additional 272,000 shares which were issued on March 21, 2005. In the event that P-Com elects to make amortization payments in shares of Common Stock, P-Com is limited to the number of shares it may use in the event that such payment would cause SDS Capital Group SPC, Ltd. to beneficially own more than 9.9% of the outstanding Common Stock.

(5) Convertible securities include shares of Series B Convertible Preferred Stock and Series D Convertible Preferred Stock of P-Com.

(6) For purposes of determining beneficial ownership in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, as amended, this total includes shares beneficially owned by North Sound Legacy Fund LLC, North Sound Legacy Institutional Fund LLC and North Sound Legacy International Ltd.

(7) Mr. Roberts is Chairman of the Board of Directors of P-Com.

(8) For purposes of determining beneficial ownership in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, as amended, this total includes shares beneficially owned by Margaret Josling and TKB Ventures. Mr. Josling resigned as a Director of P-Com, effective March 1, 2005.

(9) Mr. Fromm is a Director of P-Com.

(10) Mr. Roos is a Director of P-Com.

(11) Represents 30,944 shares held by the Century Trust dated 12/19/94. David Wilstein and Susan Wilstein, trustees of the Century Trust dated 12/19/94, have voting and dispositive power over the shares of common stock held by the trust.

(12) Represents 30,944 shares held by the Helen Jones Marital Trust. Michael Rucker, trustee of the Helen Jones Marital Trust, has voting and dispositive power over the shares of common stock held by the trust.

(13) Represents 26,933 shares held by the Allen Solomon Trust. Allen Solomon, trustee of the Allen Solomon Trust, has voting and dispositive power over the shares of common stock held by the trust.

(14) Represents 24,756 shares held by the David Wiener Revocable Trust - 96. David Wiener, trustee of the David Wiener Revocable Trust - 96, has voting and dispositive power over the shares of common stock held by the trust.

(15) Represents 17,049 shares held by the James R and Diane R. Fisher Living Trust. James R. and Diane R. Fisher, trustees of the james R. and Diane R. Fisher Living Trust, have voting and dispositive power over the shares of common stock held by the trust.

(16) Represents 16,667 shares held by the Newberg Family Trust. Bruce Newberg, trustee of the Newberg Family Trust, has voting and dispositive power over the shares of common stock held by the trust.

(17) Represents 15,944 shares held by the Julius H. Roma Revocable Trust. Julius H. Roma, trustee of the Julius H. Roma Revocable Trust, has voting and dispositive power over the shares of common stock held by the trust.

(18) Represents 15,471 shares held by the Judith Ellen Olinger Revocable Trust. Judith Ellen Olinger, trustee of the Judith Ellen Olinger Revocable Trust, has voting and dispositive power over the shares of common stock held by the trust.

(19) Represents 4,556 shares held by the Michael J. Leja Revocable Trust. Michael J.Leja, trustee of the Michael J. Leja Revocable Trust, has voting and dispositive power over the shares of common stock held by the trust.

PLAN OF DISTRIBUTION

We are registering, on behalf of the selling stockholders, 5,569,524 shares of common stock that are currently outstanding, 4,365,214 shares of common stock that are issuable upon conversion of our outstanding convertible preferred stock, 4,923,643 shares of common stock that are issuable upon exercise of outstanding warrants and warrants that will be outstanding prior to the effectiveness of the registration statement of which this prospectus is a part and 6,000,000 shares of common stock that may be issued as payment under our outstanding promissory notes. We issued these securities to the selling stockholders in private placement transactions. The selling stockholders named in the table above or their pledgees, donees, transferees or other successors-in-interest who receive convertible securities from the selling stockholders as a gift, partnership distribution or other non-sale related transfer after the date of this prospectus may sell the shares of common stock listed in the table above from time to time. Each selling stockholder will act independently in making decisions regarding the timing, manner and size of each sale. The sales may be made on the OTC Bulletin Board or on any stock exchange or automated interdealer quotation system on which the common shares are listed or quoted at the time of sale, in the over-the-counter market, through put or call option transactions relating to the shares, in negotiated transactions, or a combination of such methods of sale or otherwise, at prices and on terms then prevailing or at prices related to the then current market price. The selling stockholders may effect these transactions by selling the shares of common stock to or through broker-dealers, or not. The shares of common stock may be sold through one or more of, or a combination of, the following:

o a block trade in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;

o purchases by a broker-dealer as principal and resale by such broker-dealer for its account under this prospectus;

o "at the market" to or through market makers into an existing market for the shares;

o an exchange distribution in accordance with the rules of the applicable exchange;

o through transactions in options, swaps or other derivative securities (whether exchange-listed or otherwise);

o ordinary brokerage transactions and transactions in which the broker solicits purchasers;

o in privately negotiated transactions; and

o any other method permitted by applicable law.

To the extent required, this prospectus may be amended or supplemented from time to time to describe a specific plan of distribution. In effecting sales, broker-dealers engaged by the selling stockholders may arrange for other broker-dealers to participate in the resales.

The selling stockholders may enter into hedging transactions with broker-dealers in connection with distributions of the shares. In these transactions, broker-dealers may engage in short sales of the shares in the course of hedging the positions they assume with the selling stockholders. The selling stockholders may also sell shares short and redeliver the shares to close out those short positions. The selling stockholders may enter into options or other transactions with broker-dealers that require the delivery to the broker-dealer of the shares. The broker-dealer may then resell or otherwise transfer the shares covered by this prospectus. The selling stockholders also may loan or pledge the shares to a broker-dealer. The broker-dealer may sell the shares so loaned, or upon default the broker-dealer may sell the pledged shares under this prospectus.

Broker-dealers or agents may receive compensation in the form of commissions, discounts or concessions from the selling stockholders. Broker-dealers or agents may also receive compensation from the purchasers of the shares for whom they act as agents or to whom they sell as principals, or both. Compensation as to a particular broker-dealer might be in excess of customary commissions and will be in amounts to be negotiated in connection with the sale. Broker-dealers or agents and any other participating broker-dealers or the selling stockholders may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act of 1933, as amended, in connection with sales of the shares. Accordingly, any such commission, discount or concession received by them and any profit on the resale of the shares purchased by them may be deemed to be underwriting discounts or commissions under the Securities Act. Because the selling stockholders may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act, the selling stockholders will be subject to the prospectus delivery requirements of the Securities Act. In addition, any shares covered by this prospectus which qualify for sale in compliance with Rule 144 promulgated under the Securities Act may be sold under Rule 144 rather than under this prospectus. The selling stockholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their shares, and that there is no underwriter or coordinating broker acting in connection with the proposed sale of the shares by the selling stockholders.

The shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states the shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), any person engaged in the distribution of the shares may not simultaneously engage in market making activities with respect to our common stock for a restricted period before the commencement of the distribution. In addition, the selling stockholders will be subject to applicable provisions of the Exchange Act and the associated rules and regulations under the Exchange Act, including Regulation M, provisions of which may limit the timing of purchases and sales of the shares of our common stock by the selling stockholders.

We will make copies of this prospectus available to the selling stockholders and have informed the selling stockholders of the need to deliver copies of this prospectus to purchasers at or before the time of any sale of the shares.

We will bear all costs, expenses and fees in connection with the registration of the shares. The selling stockholders will bear all commissions and discounts, if any, attributable to the sales of the shares. The selling stockholders may agree to indemnify any broker-dealer or agent that participates in transactions involving sales of the shares against various liabilities, including liabilities arising under the Securities Act.

DESCRIPTION OF CAPITAL STOCK

This section describes the material terms of our capital stock and related terms of our certificate of incorporation and bylaws as currently in effect. This summary is not complete. For more detailed information, please see our certificate of incorporation and bylaws. All share numbers relating to our common stock have been adjusted to reflect the 1-for-30 reverse split of our common stock effected on July 19, 2004.

AUTHORIZED CAPITAL STOCK

We are currently authorized to issue a total of 37,000,000 shares of capital stock consisting of:

o 35,000,000 shares of common stock, par value $0.0001 per share; and

o 2,000,000 shares of preferred stock, par value $0.0001 per share.

COMMON STOCK

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of our stockholders. Holders of common stock are entitled to receive dividends, ratably, if any, as may be declared by our board of directors out of legally available funds, subject to any preferential dividend rights of any outstanding preferred stock. If we liquidate, dissolve or wind up, the holders of our common stock are entitled to share ratably in all assets remaining after satisfaction of liabilities and the liquidation preference of any shares of preferred stock that are outstanding at that time. Holders of common stock have no preemptive rights and no right to convert their common stock onto any other securities. There are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of holders of shares of any series of preferred stock that we may designate and issue in the future without further stockholder approval. As of December 7, 2004, 11,810,280 shares of our common stock were issued and outstanding.

PREFERRED STOCK

Our board of directors is authorized to issue from time to time, without further stockholder approval, up to an aggregate of 2,000,000 shares of preferred stock in one or more series and to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each series, including the dividend rights, dividend rates, conversion rights, voting rights, term of redemption, including sinking fund provisions, redemption price or prices, liquidation preferences and the number of shares constituting any series or designations of any series. We may issue preferred stock in ways that may delay, defer or prevent a change in control of the company without further action by our stockholders and may adversely affect the voting and other rights of the holders of our common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of our common stock, including the loss of voting control to others.

Series A Junior Participating Preferred Stock

We have designated 500,000 shares of our preferred stock as Series A Junior Participating Preferred Stock, which are issuable under certain circumstances pursuant to our stockholder rights plan, which is described in more detail below. No shares of Series A Junior Participating Preferred Stock are currently issued or outstanding.

Series B Convertible Preferred Stock

We have designated 1,000,000 shares of our preferred stock as Series B Convertible Preferred Stock, of which approximately 108,406 shares were issued and outstanding as of December 7, 2004. The holders of Series B Convertible Preferred Stock are entitled to certain rights and preferences with respect to the holders of our common stock, including the following:

o Voting. Except as required by the Delaware law, the holders of Series B Convertible Preferred Stock are not entitled to any voting rights.

o Conversion. The Series B Convertible Preferred Stock has a stated value of $21.138 per share. Each share of Series B Convertible Preferred Stock is convertible into a number of shares of common stock equal to the stated value plus any accrued and unpaid dividends divided by an initial conversion price of $6.00. This conversion price is subject to adjustment for any stock splits, stock dividends or similar transactions. Pursuant to an agreement with us, the holders of Series B Convertible Preferred Stock are obligated to convert their shares into shares of common stock as soon as reasonably practicable. However, no holder of Series B Convertible Preferred Stock will be required to convert its shares into shares of common stock if the conversion would cause the holder or any of its affiliates, individually or in the aggregate, to beneficially own more than 9.999% of our outstanding common stock.

o Dividends. Holders of Series B Convertible Preferred Stock are entitled to receive dividends, if any, as may be declared by our board of directors out of legally available funds. Holders of Series B Convertible Preferred Stock are also entitled to share pro-rata, on an as-converted basis, in any dividends or other distributions that may be declared by the board of directors with respect to the common stock.

o Liquidation. If we liquidate, dissolve or wind up, the holders of Series B Convertible Preferred Stock are entitled to receive the stated value of their shares plus all accrued and unpaid dividends prior to any amounts being paid to the holders of our common stock. In addition, the holders of Series B Convertible Preferred Stock are entitled to share ratably together with the holders of common stock in all remaining assets after the satisfaction of all other liquidation preferences.

o Redemption. The holders of Series B Convertible Preferred Stock have the right to require us to purchase all of their shares of Series B Convertible Preferred Stock upon the occurrence of certain events, such as the following:

o We fail to remove any restrictive legend from certificates representing shares of our common stock that are issued to holders who convert their shares of Series B Convertible Preferred Stock;

o We make an assignment for the benefit of creditors or apply for or consent to the appointment of a receiver or trustee;

o Any bankruptcy, insolvency, reorganization or other proceeding for the relief of debtors is instituted by or against us and is not dismissed within 60 days;

o We sell substantially all of our assets, merge or consolidate with any other entity or engage in a transaction that results in any person or entity acquiring more than 50% of our outstanding common stock on a fully diluted basis;

o We fail to pay when due any payment with respect to any of its indebtedness in excess of $250,000;

o We breach any agreement for monies owed or owing in an amount in excess of $250,000 and the breach permits the other party to declare a default or otherwise accelerate the amounts due under that agreement; or

o We permit a default under any agreement to remain uncured and the default would or is likely to have a material adverse effect on our business, operations, properties or financial condition.

Series C Convertible Preferred Stock

We have designated 10,000 shares of our preferred stock as Series C Convertible Preferred Stock, of which approximately 6,066 shares were issued and outstanding as of December 7, 2004. The holders of Series C Convertible Preferred Stock are entitled to certain rights and preferences with respect to the holders of our common stock, including the following:

o Voting. The holders of Series C Convertible Preferred Stock are entitled to vote together with the holders of our common stock, as a single class, on all matters submitted to a vote of our stockholders. The holders of Series C Convertible Preferred Stock are entitled to a number of votes equal to the number of shares of common stock that would be issued upon conversion of their shares of Series C Convertible Preferred Stock.

o Conversion. The Series C Convertible Preferred Stock has a stated value of $1,750 per share. Each share of Series C Convertible Preferred Stock is convertible into a number of shares of common stock equal to the stated value, plus any accrued and unpaid dividends, divided by an initial conversion price of $3.00. This conversion price is subject to adjustment for any stock splits, stock dividends or similar transactions. The conversion price is also subject to adjustment in the event that we make a dilutive issuance of common stock or other securities that are convertible into or exercisable for common stock at an effective per share purchase price that is less than the conversion price of the Series C Convertible Preferred Stock that is in effect at the time of the dilutive issuance. The holders of Series C Convertible Preferred Stock may convert their shares into shares of common stock at any time. However, no holder of Series C Convertible Preferred Stock may convert its shares into shares of common stock if the conversion would cause the holder or any of its affiliates, individually or in the aggregate, to beneficially own more than 9.999% of our outstanding common stock.

o Dividends. Holders of Series C Convertible Preferred Stock are entitled to receive, out of legally available funds, dividends at the rate of 6% per annum beginning on the first anniversary of their date of issuance and 8% per annum beginning on the second anniversary of their date of issuance. Dividends are payable semi-annually, either in cash or shares of our common stock.

o Liquidation. If we liquidate, dissolve or wind up, the holders of Series C Convertible Preferred Stock are entitled to receive the stated value of their shares plus all accrued and unpaid dividends prior to any amounts being paid to the holders of Series B Convertible Preferred Stock and common stock. In addition, the holders of Series C Convertible Preferred Stock are entitled to share ratably together with the holders of Series B Convertible Preferred Stock and common stock in all remaining assets after the satisfaction of all other liquidation preferences.

o Redemption. The holders of Series C Convertible Preferred Stock have the right to require us to purchase all of their shares of Series C Convertible Preferred Stock upon the occurrence of certain events, such as the following:

o We fail to remove any restrictive legend from certificates representing shares of our common stock that are issued to holders who convert their shares of Series C Convertible Preferred Stock;

o We make an assignment for the benefit of creditors or apply for or consent to the appointment of a receiver or trustee;

o Any bankruptcy, insolvency, reorganization or other proceeding for the relief of debtors is instituted by or against us and is not dismissed within 60 days;

o We sells substantially all of our assets, merge or consolidate with any other entity or engages in a transaction that results in any person or entity acquiring more than 50% of our outstanding common stock on a fully diluted basis;

o We fail to pay when due any payment with respect to any of its indebtedness in excess of $250,000;

o We breach any agreement for monies owed or owing in an amount in excess of $250,000 and the breach permits the other party to declare a default or otherwise accelerate the amounts due under that agreement; or

o We permit a default under any agreement to remain uncured and the default would or is likely to have a material adverse effect on our business, operations, properties or financial condition.

Series D Convertible Preferred Stock

We have designated 2,000 shares of our preferred stock as Series D Convertible Preferred Stock, of which 2,000 shares were issued and outstanding as of December 7, 2004. The holders of Series D Convertible Preferred Stock are entitled to certain rights and preferences with respect to the holders of our common stock, including the following:

o Voting. The holders of Series D Convertible Preferred Stock are entitled to vote together with the holders of our common stock and holders of Series C Convertible Preferred Stock, as a single class, on all matters submitted to a vote of our stockholders. The holders of Series D Convertible Preferred Stock are entitled to a number of votes equal to the number of shares of common stock that would be issued upon conversion of their shares of Series D Convertible Preferred Stock.

o Conversion. The Series D Convertible Preferred Stock has a stated value of $1,000 per share. Each share of Series D Convertible Preferred Stock is convertible into a number of shares of common stock equal to the stated value divided by an initial conversion price of $4.50. This conversion price is subject to adjustment for any stock splits, stock dividends or similar transactions. The holders of Series D Convertible Preferred Stock may convert their shares into shares of common stock at any time. However, no holder of Series D Convertible Preferred Stock may convert its shares into shares of common stock if the conversion would cause the holder or any of its affiliates, individually or in the aggregate, to beneficially own more than 9.999% of our outstanding common stock.

o Dividends. Holders of Series D Convertible Preferred Stock are entitled to share pro-rata, on an as-converted basis, in any dividends or other distributions that may be declared by the board of directors with respect to the common stock.

o Liquidation. If we liquidate, dissolve or wind up, the holders of Series D Convertible Preferred Stock and the holders of Series C Convertible Preferred Stock are entitled to receive the stated value of their respective shares plus all accrued and unpaid dividends, pari passu, and prior to any amounts being paid to the holders of Series B Convertible Preferred Stock and common stock. In addition, the holders of Series D Convertible Preferred Stock are entitled to share ratably together with the holders of Series C Convertible Preferred Stock, Series B Convertible Preferred Stock and common stock in all remaining assets after the satisfaction of all other liquidation preferences.

o Redemption. The holders of Series D Convertible Preferred Stock have the right to require us to purchase all of their shares of Series D Convertible Preferred Stock upon the occurrence of certain events, such as the following:

o We fail to remove any restrictive legend from certificates representing shares of our common stock that are issued to holders who convert their shares of Series D Convertible Preferred Stock;

o We make an assignment for the benefit of creditors or apply for or consent to the appointment of a receiver or trustee;

o Any bankruptcy, insolvency, reorganization or other proceeding for the relief of debtors is instituted by or against us and is not dismissed within 60 days;

o We sell substantially all of our assets, merge or consolidate with any other entity or engages in a transaction that results in any person or entity acquiring more than 50% of our outstanding common stock on a fully diluted basis;

o We fail to pay when due any payment with respect to any of its indebtedness in excess of $250,000;

o We breach any agreement for monies owed or owing in an amount in excess of $250,000 and the breach permits the other party to declare a default or otherwise accelerate the amounts due under that agreement; or

o We permit a default under any agreement to remain uncured and the default would or is likely to have a material adverse effect on our business, operations, properties or financial condition.

ANTI-TAKEOVER PROVISIONS

Anti-Takeover Effects of Our Certificate of Incorporation and Bylaws.

Provisions of our certificate of incorporation and bylaws may delay, defer or discourage another party from acquiring control of us. We expect that these provisions, which are summarized below, discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they also give the board the power to discourage acquisitions that some stockholders may favor.

Undesignated Preferred Stock. The ability to authorize undesignated preferred stock makes it possible for our board of directors to issue preferred stock with super voting, special approval, dividend or other rights or preferences that could impede the success of any attempt to acquire us. These and other provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changing control or management of us.

Classified Board of Directors. Our certificate of incorporation provides for the board of directors to be divided into three classes, each with a staggered three-year term. As a result, only one class of directors is elected at each annual meeting of stockholders, and each of the two other classes of directors continue to serve for the remainder of their respective three-year term. The classification of directors has the effect of making it more difficult for stockholders to change the composition of our board. Our certificate of incorporation provides that the number of directors is fixed in the manner provided in the bylaws. Our bylaws provide that the number of directors will be fixed from time to time by the board or by the stockholders at an annual meeting.

Requirements for Advance Notification of Stockholder Meetings, Vacancies and Newly Created Directorships. Our bylaws prohibit the conduct of any business at a special meeting of the stockholders other than as specified in the notice of special meeting. This provision may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of our company. Additionally, vacancies and newly created directorships may be filled by a majority of the directors then in office, even though less than a quorum. This provision may defer, delay or discourage a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

Amendment Provisions. Our certificate of incorporation grant our board of directors the authority to amend and repeal our bylaws without a stockholder vote in any manner not inconsistent with the laws of the State of Delaware or our certificate of incorporation.

Stockholder Rights Plan

We currently have in effect a stockholder rights plan, which is governed by the terms and conditions contained in the Amended and Restated Rights Agreement, dated as of January 24, 2001, between us and Fleet National Bank, as rights agent. In the event that we are acquired in a asset purchase or other business combination transaction or 50% or more of our consolidated assets or earning power is sold, each holder of our common stock will have the right to receive that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the right. In the event that any person becomes the beneficial owner of 15% or more of the outstanding shares of our common stock proper provision shall be made so that each holder of our common stock, other than the acquiring person, will thereafter have the right to receive that number of shares of our common stock or preferred stock (or cash, other securities or property) of having a market value of two times the exercise price of the right.

The rights plan has certain anti-takeover effects. The rights plan will cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our board of directors. The rights plan should not interfere with any asset purchase or other business combination approved by the board of directors because the rights granted to each holder of common stock may be redeemed by us prior to such asset purchase or other business combination.

VALIDITY OF THE SHARES

The validity of the shares of our common stock offered by this prospectus will be passed upon for us by Sheppard, Mullin, Richter & Hampton LLP.

EXPERTS

The consolidated financial statements of P-Com, Inc. as of December 31, 2004, and for the year then ended, have been incorporated by reference into this prospectus and in the registration statement to which this prospectus relates in reliance upon the report of Aidman, Piser & Company, P.A., the Company's independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of P-Com, Inc. as of December 31, 2003, and for the year then ended, have been incorporated by reference into this prospectus and in the registration statement to which this prospectus relates in reliance upon the report of Aidman, Piser & Company, P.A., the Company's independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

The financial statements of Speedcom Wireless Corporation as of December 31, 2002, and for the year then ended, have been incorporated by reference into this prospectus and in the registration statement to which this prospectus relates in reliance upon the report of Aidman, Piser & Company, P.A., Speedcom's independent auditors, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of P-Com, Inc. as of December 31, 2001 and 2002, and for the three years ended December 31, 2002, have been incorporated by reference into this prospectus and in the registration statement to which this prospectus relates in reliance upon the report (which includes an explanatory paragraph relating to the our ability to continue as a going concern as described in Note 1 to the financial statements), of PricewaterhouseCoopers, LLP, independent accountants, given upon the authority of said firm as experts in accounting and auditing.

INCORPORATION BY REFERENCE

The SEC allows us to "incorporate by reference" certain information we have filed with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. We incorporate by reference into this prospectus and refer you to the documents listed below:

o Our Annual Report on Form 10-K for the fiscal year ended December 31, 2004, filed with the SEC on March 23, 2005;

o Our Current Reports on Form 8-K, filed with the SEC on February 10, 2005, March 1, 2005, March 15, 2005, March 28, 2005 and April 28, 2005.

o All other reports filed pursuant to the Securities Exchange Act of 1934 after the initial filing of the registration statement of which this prospectus is part and prior to the effectiveness of the registration statement. All other reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 since the end of the fiscal year covered by the annual report referred to above.

o The financial statements of Speedcom Wireless Corporation for its year ended December 31, 2002 and its nine-months ended September 30, 2003; and, certain pro-forma financial information related to our purchase of Speedcom Wireless Corporation, as filed with the SEC on Form 8-K dated December 24, 2003 and Form S-1 dated December 19, 2003.

You may request, orally or in writing, a copy of these filings. We will provide the requested copies of these filings to you at no cost. Please direct your requests to:

P-Com, Inc. 3175 S. Winchester Boulevard Campbell, CA 95008 Telephone: (408) 866-3666 Attention: Daniel W. Rumsey

This prospectus is accompanied by a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2004. You should read these reports to obtain additional information about our business, financial condition and results of operations.

WHERE YOU CAN FIND MORE INFORMATION

We file reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). Copies of these reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the SEC at:

Judiciary Plaza Room 1024
450 Fifth Street, N.W.
Washington, D.C. 20549

Copies of these materials can also be obtained by mail at prescribed rates from the Public Reference Room of the SEC at the address set forth above or by calling the SEC at l-800-SEC-0330. The SEC maintains a website that contains reports, proxy statements and other information about issuers, including us, that file electronically with the SEC. The address of the SEC's website is http://www.sec.gov.

Information on any website of ours or the website of any of our subsidiaries is not part of this prospectus and you should not consider information contained on any such websites as part of this prospectus, unless that information is also contained in this prospectus. You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front page of those documents.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

All costs and expenses incurred in connection with the sale and distribution of the common stock being registered for sale will be paid by the Registrant. The following is an itemized statement of these costs and expenses. All amounts shown are estimates except for the Securities and Exchange Commission registration fee.

SEC Registration Fee	$	123.21
Printing and Engraving Expenses		10,000.00
Legal Fees and Expenses		10,000.00
Accounting Fees and Expenses		20,000.00
Miscellaneous		0

Total $ 40,123.21

* To be completed by amendment

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 102 of the Delaware General Corporation Law allows a corporation to include in its certificate of incorporation a provision that eliminates the personal liability of the directors of that corporation to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except where the director breached the duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. The Registrant's certificate of incorporation contains a provision that eliminates the personal liability of its directors in accordance with Section 102 of the Delaware General Corporation Law.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnification to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act. Article VII of the Registrant's bylaws provides for mandatory indemnification of its directors and permissible indemnification of its officers, employees and other agents to the maximum extent permitted under the Delaware General Corporation Law. The Registrant has entered into indemnification agreements with its officers and directors, which are intended to provide the Registrant's officers and directors with indemnification to the maximum extent permitted under the Delaware General Corporation Law.

ITEM 16. EXHIBITS.

See Index of Exhibits on page II-4.

ITEM 17. UNDERTAKINGS.

(a) The undersigned Registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by section 10(a)(3) of the Securities Act;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the Registration Statement;

(2) that, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) Insofar as indemnification for liabilities arising under the Securities Act, may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions referenced in Item 14 of this Registration Statement or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-2 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Campbell, State of California, on this 29th day of April, 2005.

P-COM, INC.

By: /s/ Daniel W. Rumsey

Daniel W. Rumsey
Chief Restructuring Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Daniel W. Rumsey, the undersigned's true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for the undersigned and in his name, place and stead, in any and all capacities (including the undersigned's capacity as a director and/or officer of P-Com, Inc.), to sign any or all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each of said attorneys-in-fact full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute, acting alone, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the date indicated.

Name	Title	Date
/s/ Daniel W. Rumsey Daniel W. Rumsey	Chief Restructuring Officer (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)	April 29, 2005
/s/ George P. Roberts George P. Roberts	Chairman of the Board	April 29, 2005
/s/ Frederick Fromm Frederick Fromm	Director	April 29, 2005
/s/ Richard Reiss Richard Reiss	Director	April 29, 2005

/s/ R. Craig Roos R. Craig Roos	Director	April 29, 2005

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INDEX OF EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
3.1(1)	Restated Certificate of Incorporation, as amended and restated through October 12, 2004
3.1A(4)	Amended and Restated Certificate of Designation of the Series A Junior Participating Preferred Stock
3.1B(10)	Certificate of Designation, Preferences and Rights of Series B Convertible Preferred Stock
3.1C(11)	Certificate of Designation, Preferences and Rights of Series C Convertible Preferred Stock
3.1D(13)	Certificate of Designation, Preferences and Rights of Series D Convertible Preferred Stock
3.2(12)	Bylaws, as amended and restated through December 3, 2003
4.1(13)	Form of Common Stock Certificate
4.2(14)	Amended and Restated Rights Agreement, dated January 24, 2001, between Registrant and BankBoston, N.A
5.1	Opinion of Sheppard, Mullin, Richter & Hampton, LLP
10.1*(15)	1995 Stock Option/Stock Issuance Plan (as amended and restated through July 17, 2002)
10.2*	Amendment to 1995 Stock Option/Stock Issuance Plan, effective as of December 3, 2003
10.3*(16)	Employee Stock Purchase Plan, as amended
10.18(17)	Form of Indemnification Agreement by and between the Company and each of its officers and directors and a list of signatories.
10.62(19)	Warrant to Purchase Stock, dated January 14, 2000, issued to Greyrock Capital.
10.63(18)	Registration Rights Agreement, dated January 14, 2000, by and between P-Com, Inc. and Greyrock Capital.
10.64(18)	Antidilution Agreement, dated January 14, 2000, by and between P-Com, Inc. and Greyrock Capital.
10.65(18)	Warrant to Purchase Stock, dated January 14, 2000, issued to Silicon Valley Bank. 10.66(18) Registration Rights Agreements, dated January 14, 2000, by and between P-Com, Inc. and Silicon Valley Bank.
10.67(18)	Antidilution Agreement, dated January 14, 2000, by and between P-Com, Inc. and Silicon Valley Bank.
10.90*(25)	Employment and Continuity of Benefits Agreement by and between George Roberts and P-Com, Inc., dated May 31, 2001.

10.92(27)	Common Stock PIPES Agreement, dated June 26, 2002, by and among P-Com, Inc and the investors signatory thereto.
10.98#(28)	Engagement Letter Agreement by and between P-Com, Inc. and Cagan McAfee Capital Partners dated December 10, 2001 and Addendum dated June 13, 2002.
10.99(28)	Warrant Issuance Agreement by and between P-Com, Inc. and Cagan McAfee Capital Partners dated December 1, 2001.

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
10.100(28)	Accounts Receivable Purchase Agreement by and between P-Com, Inc. and Silicon Valley Bank dated June 26, 2002.
10.101#(28)	OEM Agreement by and between P-Com, Inc. and Shanghai Datang Mobile Communications dated July 1, 2002.
10.107(30)	Loan and Security Agreement between P-Com, Inc. and Silicon Valley Bank dated September 20, 2002
10.108(30)	Loan and Security Agreement (Exim Program) between P-Com, Inc. and Silicon Valley Bank dated September 20, 2002.
10.109(30)	Secured Promissory Notes issued to Silicon Valley Bank dated September 20, 2002. 10.110(30) Warrant to Purchase Stock Agreement between P-Com, Inc. and Silicon Valley Bank dated September 20, 2002.
10.111(30)	Amendment to OEM Agreement between P-Com, Inc. and Shanghai Datang Mobile Communication effective July 1, 2002.
10.113(31)	Addendum II to Engagement Letter, dated December 10, 2001, between P-Com, Inc. and Cagan McAfee Capital Partners, effective as of January 9, 2003.
10.117(10)	Securities Purchase Agreement, dated May 28, 2003, by and among P-Com, Inc., North Sound Legacy Fund LLC, North Sound Legacy Institutional Fund LLC and North Sound Legacy International Ltd.

* Compensatory benefit arrangement.

Confidential treatment has been granted as to certain portions of these exhibits.

(1) Incorporated by reference to the exhibits filed as part of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.

(4) Incorporated by reference to Exhibit 3.2C of the Registrant's Form 8-A/A filed with the Securities and Exchange Commission on December 22, 1998.

(10) Incorporated by reference to the exhibits filed as part of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.

(11) Incorporated by reference to the exhibits filed as part of the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 7, 2003.

(13) Incorporated by reference to the exhibits filed as part of the Registrant's Registration Statement on Form S-1 (File No. 33-88492), declared effective with the Securities and Exchange Commission on March 2, 1995.

(14) Incorporated by reference to Exhibit 4.10 to the Registrant's Form 8-A/A, filed with the Securities and Exchange Commission on May 7, 2001.

(15) Incorporated by reference to Exhibit 99.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-55604), filed with the Securities and Exchange Commission on February 14, 2001.

(16) Incorporated by reference to Exhibit 99.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-63762), filed with the Securities and Exchange Commission on June 25, 2001.

(17) Incorporated by reference to the identically numbered exhibit to the Registrant's Registration Statement on Form S-1 (File No. 33-88492) declared effective with the Securities and Exchange Commission on March 2, 1995.

(18) Incorporated by reference to the exhibits filed as part of the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 25, 2000.

(19) Incorporated by reference to the exhibits filed as part of the Registrant's Registration Statement on Form S-3/A (File No. 333-70937), filed with the Securities and Exchange Commission on May 4, 2000.

(20) Incorporated by reference to Exhibit 10.79 to the Registrant's Registration Statement on Form S-3/A (File No. 333-70937), filed with the Securities and Exchange Commission on August 24, 2000.

(21) Incorporated by reference to the exhibits filed as part of the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 11, 2000.

(22) Incorporated by reference to Exhibit 10.85 to the Registrant's Quarterly Report on Form 10-Q/A for the quarter ended September 30, 2000.

(23) Incorporated by reference to the exhibits filed as part of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

(24) Incorporated by reference to Exhibit 10.90 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.

(25) Incorporated by reference to Exhibit 10.92 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 26, 2002.

(26) Incorporated by reference to the exhibits filed as part of the Registrant's Quarterly Report on Form 10-Q for the quarter June 30, 2002.

(27) Incorporated by reference to the exhibits filed as part of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

(28) Incorporated by reference to the exhibits filed as part of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

(29) Incorporated by reference to Exhibit 16.1 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 14, 2003.

(30) Incorporated by reference to Exhibit 99.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-120455) filed with the Securities and Exchange Commission on November 12, 2004.