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

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _______ TO ________.

Commission File Number 1-12793

STARTEK, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	84-1370538
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
100 GARFIELD STREET DENVER, COLORADO	80206
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(303) 361-6000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, $.01 PAR VALUE	NEW YORK STOCK EXCHANGE, INC. PACIFIC EXCHANGE CHICAGO STOCK EXCHANGE BOSTON STOCK EXCHANGE PHILADELPHIA STOCK EXCHANGE BERLIN STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

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

As of March 1, 2000, 13,988,011 shares of common stock were outstanding and held by approximately 3,389 holders. The aggregate market value of common stock held by non-affiliates of the registrant on such date was approximately $184.3 million, based upon the closing price of the Company's common stock as quoted on the New York Stock Exchange composite tape on such date. Shares of common stock held by each executive officer and director and by each person who owned 5% or more of the outstanding common stock as of such date have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the registrant's proxy statement to be delivered in connection with its 2000 annual meeting of stockholders. With the exception of certain portions of the proxy statement specifically incorporated herein by reference, the proxy statement is not deemed to be filed as part of this Form 10-K.

FORWARD-LOOKING STATEMENTS

All statements contained in this Form 10-K that are not statements of historical facts are forward-looking statements that involve substantial risks and uncertainties. Forward-looking statements are preceded by terms such as "may", "will", "should", "anticipates", "expects", "believes", "plans", "future", "estimate", "continue", and similar expressions. The following are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements; these include, but are not limited to, inflation and general economic conditions in the Company's and its clients' markets, risks associated with the Company's reliance on a principal client, loss or delayed implementation of a large project which could cause quarterly variation in the Company's revenues and earnings, difficulties in managing rapid growth, risks associated with rapidly changing technology, dependence on labor force, risks associated with international operations and expansion, control by principal stockholders, dependence on key personnel, dependence on key industries and trends toward outsourcing, risks associated with the Company's contracts, highly competitive markets, risks of business interruptions, volatility of the Company's stock price, and risks related to the Company's investment in and note receivable from Good Catalog Company doing business as gifts.com, risks related to the Company's Internet web site operations, and risks related to the Company's portfolio of Internet domain names. These factors include risks and uncertainties beyond the Company's ability to control; and, in many cases, the Company and its management cannot predict the risks and uncertainties that could cause actual results to differ materially from those indicated by use of forward-looking statements. All forward-looking statements herein are made as of the date hereof, and the Company undertakes no obligation to update any such forward-looking statements. All forward-looking statements herein are qualified in their entirety by the information set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations"--"Factors That May Affect Future Results" appearing elsewhere in this Form 10-K.

PART I

ITEM 1. BUSINESS

GENERAL

StarTek, Inc. (the "Company" or "StarTek") has an established position as a global provider of process management services and owns and operates branded vertical market Internet web sites. The Company's process management service platforms include E-commerce support and fulfillment, provisioning management for complex telecommunications systems, high-end inbound technical support, and a comprehensive offering of supply chain management services. As an outsourcer of process management services as its core business, StarTek allows its clients to focus on their primary business, reduce overhead, replace fixed costs with variable costs, and reduce working capital needs. The Company has continuously expanded its process management business and facilities to offer additional outsourcing services in response to growing needs of its clients and to capitalize on market opportunities, both domestically and internationally. StarTek has a strategic partnership philosophy through which it assesses each of its client's needs, and together with its clients develops and implements customized outsourcing solutions. Management believes StarTek's entrepreneurial culture, long-term relationships with clients and suppliers, efficient operations, dedication to quality, and use of advanced technology and management techniques provide StarTek a competitive advantage in attracting clients to outsource non-core operations. StarTek's principal client, based on 1999 revenues, has utilized StarTek's outsourced services since 1996.

StarTek's existing process management services clients are primarily in computer software, Internet, E-commerce, computer hardware, technology, and telecommunications industries which are characterized by rapid growth, complex and evolving product offerings, and large customer bases, which require frequent, often sophisticated customer interaction. Currently, the Company is also targeting financial services, consumer products, and health care companies. Management believes there are substantial opportunities to cross-sell StarTek's wide spectrum of outsourced process management services to its existing and future client base. The Company intends to capitalize on the increasing trend toward outsourcing by focusing on potential clients in additional industries which could benefit from the Company's expertise in developing and delivering integrated, cost-effective, outsourced services.

StarTek currently has five operating facilities in Colorado, and one facility each in Wyoming, Tennessee, and Texas. The Company's Europe operations are performed from its facility in Hartlepool, England. The Company's Asia operations are managed by employees co-located with a subcontractor in Singapore.

StarTek owns a portfolio of branded vertical market Internet web sites and operates certain sites, including airlines.com and wedding.com. In September 1999, StarTek and The Reader's Digest Association, Inc. entered into certain arrangements whereby StarTek obtained a 19.9% ownership interest in Good Catalog Company, doing business as gifts.com. Gifts.com provides an Internet web site accessed through the URL www.gifts.com that sells gifts on-line. StarTek expects to combine its process management service platforms with certain Internet web site businesses arising from a portfolio of Internet domain names to establish a solid position in the Internet connected world.

The Company's business was founded in 1987 and, through its wholly owned subsidiaries, has provided outsourced process management services since inception. On December 30, 1996, StarTek, Inc. was incorporated in Delaware, and in June 1997 StarTek completed an initial public offering of its common stock. Prior to December 30, 1996, StarTek USA, Inc. and StarTek Europe, Ltd. conducted business as affiliates under common control. In 1998, the Company formed StarTek Pacific, Ltd., a Colorado corporation and Domain.com, Inc., a Delaware corporation, both of which are also wholly owned subsidiaries of the Company. StarTek, Inc. is a holding company for the businesses conducted by its wholly owned subsidiaries. StarTek's principal executive offices are located at 100 Garfield Street, Denver, Colorado 80206 and its telephone number is (303) 361-6000. StarTek's home page on the Internet is located at www.startek.com.

PROCESS MANAGEMENT SERVICE PLATFORMS

The Company offers a wide spectrum of process management service platforms designed to provide cost-effective and efficient management for portions of its clients' operations. The Company works closely with its clients to develop, refine, and implement efficient and productive integrated outsourced solutions that link StarTek with its clients and their customers. The processes that create such solutions generally include development of product manufacturing specifications, packaging, and distribution requirements, as well as product-related software programs for telephone, facsimile, E-mail, and Internet interactions involving product order processing, fulfillment, and technical support. Substantially all of the Company's process-related teleservices activities are inbound telephone calls rather than outbound calls. Process management service platforms StarTek provides include, but are not necessarily limited to:

Supply Chain Management. Product order processing is generally the process by which a call or an Internet message from a client's customer is received, identified, and routed to a StarTek service representative. Typically, a customer calls or E-mails to request product service information, to place an order for an advertised product, or to obtain assistance regarding a previous order or purchase. The information and results of the message are then communicated either to StarTek's employees for order processing and fulfillment or, if StarTek does not manage the client's inventory, the Company transmits the customer's request directly to the client. For telephone calls, StarTek utilizes automated call distributors to identify each inbound call by the number dialed by the customer, and immediately route the call to a StarTek service representative trained for that product. Product orders also occur as a result of a customer visiting the web site of a client and placing orders which are received by StarTek or a StarTek service representative offering products in connection with a technical support call. To facilitate product orders, the Company can process credit card charges and other payment methods in connection with its product order processing.

StarTek personnel are responsible for maintaining and managing multiple supplier relationships. When the Company is selected by a client to provide product assembly and packaging services, the Company qualifies, selects, certifies, and manages sourcing and manufacturing of various products and related components including, among other things, printing of boxes, labels, manuals, and other printed materials to be included with the client's product, and the mass duplication of software onto various media. Such products and related components are then assembled and packaged at certain of the Company's facilities. The Company monitors quality of its suppliers through visits to manufacturing facilities, and utilizes just-in-time production to minimize inventory in the Company's warehouses. Management believes the Company's strong, long-term relationships with multiple suppliers allows StarTek to be flexible and responsive to its clients, while minimizing cost and dependency on any single supplier.

StarTek personnel assemble and package products in various containers, including folding cartons, set-up boxes, compact disc jewel cases, digi-packs, binders, and slip cases. The Company assembles and packages products in the United States, the United Kingdom, and Singapore. The Company's assembly lines have been designed with significant flexibility, enabling the Company to assemble and package various types of products and rapidly change the type of product produced. During peak periods of operations, the Company's capacity is dependent upon: (i) complexity of products to be assembled; (ii) availability of materials from suppliers; (iii) availability of temporary personnel to increase capacity; (iv) number of shifts operated by the Company; and (v) ability to activate additional production lines.

StarTek's inventory management systems enable the Company to ship and track products to distribution centers, individual stores, and its clients' customers directly. Product orders are received by the Company via file transfer protocol (FTP), the Internet, electronic data interchange (EDI), facsimile, as well as through the Company's product order teleservices and E-commerce support services described elsewhere.

E-commerce Support and Product Order Fulfillment. StarTek develops, operates, and maintains Internet web sites and the Company's personnel process, pack, and ship product orders received by telephone, E-mail, facsimile, and the Internet, 24 hours per day, seven days per week. The Company provides same-day shipping of customer orders if the product is available.

Provisioning Management. StarTek personnel are responsible for managing installation and providing on-going support services for large-scale telecommunications networks for clients' customers, most of whom are Fortune 1000 companies. Service representatives manage relationships between StarTek's clients and its customers on a transparent basis. StarTek's installation management and on-going network support services, on an outsourced basis, enable its clients to provide telecommunications services to customers more efficiently and cost effectively.

High-End Technical Support Teleservices. StarTek service representatives provide high-end technical support services by telephone, E-mail, facsimile, and the Internet, 24 hours per day, seven days per week. Technical support inquiries are generally driven by a customer's purchase of a product or service, or by a customer's need for ongoing technical assistance. Customers of StarTek's clients dial a technical support number listed in their product or service manuals and, based on touch-tone responses, are automatically connected to an appropriate StarTek service representative who is specially trained in use of computerized knowledge databases for the applicable product. Each StarTek service representative acts as a transparent extension of the client when resolving complaints, diagnosing and resolving product or service problems, or answering technical questions.

INTERNATIONAL OPERATIONS

StarTek provides process management services on an international basis from the United Kingdom and Singapore. The Company's facility in the United Kingdom provides most of the Company's process management service platforms for clients throughout Europe, including supply chain management and inbound technical support services in several languages. The Company currently provides supply chain management through a subcontract relationship with a company in Singapore. The subcontract relationship generally operates on a purchase order basis. International operations, in the aggregate, generated approximately 24.0% of the Company's revenues during 1999. See Note 15 to the consolidated financial statements set forth herein for a further description of revenues, operating profit, and identifiable assets classified by the major geographic areas in which the Company operates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations"-- "Factors That May Affect Future Results" set forth herein for a discussion of "Risks Associated with International Operations and Expansion".

DOMAIN.COM OPERATIONS

StarTek, through it wholly owned subsidiary Domain.com, Inc., owns a portfolio of branded vertical market Internet web sites and operates certain sites, including airlines.com and wedding.com. In September 1999, StarTek, through its wholly owned subsidiary Domain.com, Inc., and The Reader's Digest Association, Inc. entered into certain arrangements whereby StarTek obtained a 19.9% ownership interest in Good Catalog Company, doing business as gifts.com. Gifts.com provides an Internet web site accessed through the URL www.gifts.com that sells gifts on-line. Since inception of gifts.com's Internet web site operations, StarTek has provided various E-commerce support and product order fulfillment services in connection with certain products and services sold through gifts.com's web site. StarTek expects to combine its process management service platforms with other Internet web site businesses arising from a portfolio of Internet domain names to establish a solid position in the Internet connected world.

BUSINESS STRATEGY

StarTek's strategic objectives are to increase revenues and earnings by maintaining and enhancing its established position as a global provider of process management services; and to enhance shareholder value, revenues, and earnings by developing ownership interests in Internet web site businesses arising from a portfolio of Internet domain names. To reach these objectives, the Company intends to:

Provide Integrated, Outsourced Process Management Services. StarTek seeks to provide integrated, outsourced process management services which enable its clients to provide their customers with high-quality services at lower cost than through a client's own in-house operations. The Company believes its ability to tailor operations, materials, and employee resources objectively, and provide process management services on a cost-effective basis will allow the Company to become an integral part of its clients' businesses.

Develop Strategic Partnerships and Long-Term Relationships. StarTek seeks to develop long-term client relationships, primarily with Fortune 500 companies. The Company invests significant resources to establish strategic partnership relationships and to understand each client's processes, culture, decision parameters, and goals so as to develop and implement customized solutions. The Company believes this solution-oriented, value-added, integrated approach to addressing its clients' needs distinguishes StarTek from its competitors and plays a key role in the Company's ability to attract and retain clients on a long-term basis.

Maintain Low-Cost Position through the StarTek Process Management System. StarTek strives to establish a competitive advantage by frequently redefining its operational processes to reduce cost and improve quality. The Company believes its continuous improvement philosophy and modern process management techniques enable the Company to reduce waste and increase efficiency by: (i) controlling overproduction; (ii) minimizing waiting time due to inefficient work sequences; (iii) reducing nonessential handling of materials; (iv) eliminating nonessential movement and processing; (v) implementing fail-safe processes; (vi) improving inventory management; and (vii) preventing defects.

Emphasize Quality. StarTek strives to achieve the highest quality standards in the industry. To this end, the Company, through certain of its wholly owned subsidiaries, has received ISO 9002 certifications, an international standard for quality assurance and consistency in operating procedures for substantially all of its facilities and services. Certain of the Company's existing clients require evidence of ISO 9002 certification prior to selecting an outsourcing provider.

Capitalize on Sophisticated Technology. Management believes it has established a competitive advantage by capitalizing on sophisticated technology and proprietary software, including automatic call distributors, inventory management software, order management software, transportation management software, knowledge databases, call tracking systems, resource scheduling software, and computer telephony integration software. The Company further believes these capabilities enable StarTek to improve efficiency, serve as a transparent extension of its clients, receive telephone calls and data directly from its clients' systems, and report detailed information concerning the status and results of the Company's services and interaction with clients on a daily basis.

Develop Ownership Interests in Internet Web Site Businesses. Management believes the Company can continue to develop ownership interests in Internet web site businesses arising from a portfolio of Internet domain names. Management believes shareholder value can be enhanced in a variety of ways which include, among others, joint ventures with third parties to develop web site businesses based upon its Internet domain names. These opportunities are being pursued at this time.

CLIENTS

StarTek provided process management services to approximately 45 clients in 1999. StarTek's current client base consists of companies engaged primarily in computer software, Internet, E-commerce, computer hardware, technology, and telecommunications industries. Currently, the Company is also targeting financial services, consumer products, and health care companies. Microsoft Corporation accounted for approximately 77.5% of the Company's revenues in 1999. See "Management's Discussion and Analysis of Financial Condition and Results of Operations"-- "Factors That May Affect Future Results" set forth herein for a further discussion of the Company's "Reliance on Principal Client Relationship" and "Risks Associated with the Company's Contracts".

SALES AND MARKETING

The Company's marketing objective is to develop long-term relationships with existing and potential clients to become the preferred worldwide provider of process management services. StarTek invests substantial resources to create a strategic partnership with its clients to understand their existing operations, customer service processes, culture, decision parameters, and goals. A StarTek team assesses the client's outsourcing service needs, and, together with the client, develops and implements customized solutions. Management believes, as a result of StarTek's strategic relationship with its clients and comprehensive understanding of their businesses, the Company can identify new revenue generating opportunities, customer interaction possibilities, and product service improvements not adequately addressed by the client. The Company's sales strategy emphasizes multiple contacts with a client to strengthen its relationship and facilitate cross selling of services.

StarTek markets its process management services through a variety of methods, including personal sales calls, client referrals, attendance at trade shows, advertisements in industry publications, and cross-selling of services to existing clients. As part of its marketing efforts, the Company encourages visits to its facilities where the Company demonstrates its services, quality procedures, and ability to accommodate additional business.

Management believes an essential element to revenue growth is the ability to flexibly, effectively, and efficiently expand service capacity to meet client needs as its clients grow or outsource more of their non-core operations to the Company. In addition, to attract new clients to StarTek's services, the Company must have resources to develop a strategy to meet new clients' outsourcing goals promptly, as well as the ability to implement operations for such clients quickly and accurately.

TECHNOLOGY

StarTek employs technology and proprietary software that incorporates digital switching, relational knowledge database management systems, call tracking systems, workforce management systems, object-oriented software modules, and computer telephony integration. The Company's digital switching technology is designed to enable calls to be routed to the next available teleservice representative with the appropriate product knowledge, skill, and language abilities. Call tracking and workforce management systems generate and track historical call volumes by client, enabling the Company to schedule personnel efficiently, anticipate fluctuations in call volume, and provide clients with detailed information concerning the status and results of the Company's services on a daily basis. Management believes StarTek's proprietary technology platform provides the Company with a competitive advantage in maintaining existing clients and attracting new clients. See "Management's Discussion and Analysis of Financial Condition and Results of Operations"-- "Factors That May Affect Future Results" set forth herein for a discussion of "Risks Associated with Rapidly Changing Technology".

EMPLOYEES AND TRAINING

StarTek's success in recruiting, hiring, and training large numbers of full-time skilled employees, and obtaining large numbers of hourly and temporary employees during peak periods is critical to the Company's ability to provide high quality outsourced services. To maintain good employee relations and to minimize turnover, the Company offers competitive pay, hires employees who are eligible to receive the full range of employee benefits, and provides employees with clear, visible career paths. To meet its service objectives, the Company also utilizes temporary services. As of December 31, 1999, the Company had approximately 2,522 full-time equivalent employees. The number of temporary employees varies substantially due to the seasonal nature of the Company's clients' businesses. Management believes demographics surrounding StarTek's facilities, and the Company's reputation, stability, and compensation plans should allow the Company to continue to attract and retain qualified employees. However, the Company is adversely affected in some locations where unemployment levels are currently at low levels compared to historic norms, resulting in a shortage of available qualified employees. If low unemployment levels continue to persist in these areas, the Company's ability to attract qualified employees will continue to be adversely affected. Management believes StarTek's current operations in eight separate locations helps reduce this risk exposure. The Company considers its employee relations to be good. See "Management's Discussion and Analysis of Financial Condition and Results of Operations"-- "Factors That May Affect Future Results" set forth herein for a discussion of factors relating to the Company's "Dependence on Labor Force" and "Dependence on Key Personnel".

In keeping with StarTek's continuous improvement philosophy, the Company is committed to training all of its employees. StarTek provides formal training for senior management, supervisors, process managers, quality coordinators, and service representatives. StarTek also maintains an employee quality program to backup every employee, including specialized quality coordinators who teach problem solving, assist with service calls, and offer immediate performance feedback. On a more informal basis, the Company provides on-the-job process training and tutoring for all product assembly and packaging personnel. Employee teams gather daily to receive information about products to be produced and techniques to be utilized, and have an opportunity to ask questions and receive one-on-one training, as necessary.

The Company's in-house training programs for technical support and telecommunications process management employees involve an in-depth, structured learning environment that builds technical competence and teaches critical software skills necessary to provide effective services to its clients. Each client service representative is designated and trained to support a particular product or group of products for a particular client. These client service representatives receive training in product knowledge, call listening, and computer skills prior to answering any customer calls independently. This training time depends on the complexity of the product for which such representative will provide services. Further, the Company uses live and taped call reviews and customer feedback surveys to continue to monitor and enhance its level of customer support services.

INDUSTRY AND COMPETITION

Management believes businesses throughout the world are increasingly focusing on their core competencies, and are increasingly engaging outsourced service companies to perform specialized, non-core functions and services. Outsourcing of non-core activities offers a strategic advantage to companies in a wide range of industries by offering them an opportunity to reduce operating costs and working capital needs, improve their reaction to business cycles, manage capacity, and improve customer and technical information gathering and utilization. To realize these advantages, companies are outsourcing the process of planning, implementing, and controlling the efficient flow of goods, services, teleservices, and related information from point of origin, to point of consumption. Additionally, rapid technological changes and rising customer expectations for high-quality goods and services make it increasingly difficult and expensive for companies to maintain the necessary personnel and product capabilities in-house to support a product's life-cycle on a cost-effective basis. Management believes companies that focus on providing these services as their core business, including StarTek, are expected to continue to benefit from these outsourcing trends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations"-- "Factors That May Affect Future Results" set forth herein for a discussion of the Company's "Highly Competitive Market".

StarTek competes on the basis of quality, reliability of service, price, efficiency, speed, and flexibility in tailoring services to client needs. Management believes StarTek's comprehensive and integrated services differentiate the Company from non-client competitors who may only be able to provide one or a few of the outsourced services StarTek provides. The Company continuously explores new outsourcing service opportunities, typically in circumstances where clients are experiencing inefficiencies in non-core areas of their businesses. Management believes it can develop superior outsourced solutions to such inefficiencies on a cost-effective basis. Management believes StarTek competes primarily with in-house process management operations of its current and potential clients. Such in-house operations include Internet operations, E-commerce support, technical support teleservices, and supply chain management. StarTek also competes with certain companies that provide similar services on an outsourced basis. There are numerous competitors of all sizes that provide product order teleservices and product fulfillment distribution services.

ITEM 2. PROPERTIES

FACILITIES

StarTek's principal executive offices are located in Denver, Colorado. Currently, StarTek owns and operates (unless otherwise noted) the following facilities, containing, in the aggregate, approximately 872,850 square feet:

PROPERTIES	YEAR OPENED OR ACQUIRED	SQUARE FEET	LEASED, COMPANY OWNED, OR OTHERWISE
U.S. Facilities			
Greeley, Colorado	1987	100,000	Company Owned
Greeley, Colorado	1993	10,500	Company Owned (a)
Denver, Colorado	1995	138,000	Company Owned (b)
Greeley, Colorado	1998	35,000	Company Owned
Laramie, Wyoming	1998	22,000	Company Owned
Clarksville, Tennessee	1998	305,000	Company Owned (c)
Grand Junction, Colorado	1999	46,350	Leased
Greeley, Colorado	1999	88,000	Company Owned
Big Spring, Texas	1999	30,000	Leased
International Facilities			
Hartlepool, England	1993	73,000	Leased
Singapore	1995	25,000	Subcontractor Relationship

Substantially all of the Company's facility space can be used to support several of the Company's process management service platforms. Management believes StarTek's existing facilities are adequate for the Company's current operations, but continued capacity expansion will be required to support continued growth. Management intends to maintain a certain amount of excess capacity to enable StarTek to readily provide for needs of new clients, and increasing needs of existing clients. See "Management's Discussion and Analysis of Financial Condition and Results of Operations"-- "Factors That May Affect Future Results" set forth herein for a discussion of "Risks of Business Interruptions".

(a) This facility was closed in December 1999, and is currently for sale.

(b) Certain process management services previously provided from the Denver facility were completely transferred to other facilities by January 31, 2000. Currently, a relatively small portion of the Denver facility provides for certain executive, corporate, and information technology functions, while management evaluates possible operating activities which could be located in this facility.

(c) See Note 9 to the consolidated financial statements set forth herein for a description of the Tennessee financing arrangement.

ITEM 3. LEGAL PROCEEDINGS

The Company has been involved from time to time in litigation arising in the normal course of business, none of which is currently expected by management to have a material adverse effect on the Company's business, financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the three months ended December 31, 1999.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

MARKET PRICE OF COMMON STOCK

StarTek's common stock has traded under the symbol "SRT" on the New York Stock Exchange since June 19, 1997, the effective date of the Company's initial public offering. High and low sale prices of StarTek's common stock for 1998 and 1999 were:

1998	HIGH	LOW
First Quarter	12 3/16	9 1/16
Second Quarter	13 1/8	11 9/16
Third Quarter	12 13/16	8 5/8
Fourth Quarter	12 9/16	8 1/16

1999	HIGH	LOW
First Quarter	14	10 3/8
Second Quarter	24 3/4	9 15/16
Third Quarter	55	21 13/16
Fourth Quarter	69	21 3/8

The closing sale price for StarTek's common stock on March 1, 2000 was $44.25. See "Management's Discussion and Analysis of Financial Condition and Results of Operations"-- "Factors That May Affect Future Results" set forth herein for a discussion of "Volatility of Stock Price".

HOLDERS OF COMMON STOCK

As of March 1, 2000, there were approximately 3,389 stockholders of record and 13,988,011 shares of common stock outstanding. See "Management's Discussion and Analysis of Financial Condition and Results of Operations"-- "Factors That May Affect Future Results" set forth herein for a discussion of "Control by Principal Stockholders".

DIVIDEND POLICY

StarTek currently intends to retain all earnings to finance the continued growth of its business and does not expect to pay any dividends in the foreseeable future. The payment of any dividends will be at the discretion of the Company's Board of Directors and will depend upon, among other things, availability of funds, future earnings, capital requirements, contractual restrictions, general financial condition of the Company, and general business conditions. Under its $5 million line of credit, the Company may not pay dividends in an amount which would cause a failure to meet its financial covenants. See Note 7 to the consolidated financial statements, and "Management's Discussion and Analysis of Financial Condition and Results of Operations"--"Liquidity and Capital Resources" set forth herein for a description of these financial covenants.

SALES OF UNREGISTERED SECURITIES

The Company did not issue or sell any unregistered securities during the three months ended December 31, 1999, except for the following stock options, all of which were granted at exercise prices equal to the market value of the Company's common stock on the date the options were granted:

On October 1, 1999, the Company granted options to purchase 300 shares of common stock, in the aggregate, to three employees pursuant to the Company's Stock Option Plan. These options vest at a rate of 20% per year beginning October 1, 2000, expire on October 1, 2009, and are exercisable at $50.06 per share;

On November 22, 1999, the Company granted options to purchase 22,700 shares of common stock, in the aggregate, to 25 employees pursuant to the Company's Stock Option Plan. These options vest at a rate of 20% per year beginning November 22, 2000, expire on November 22, 2009, and are exercisable at $32.81 per share; and

On December 14, 1999, the Company granted an option to purchase 10,000 shares of common stock to one director pursuant to the Company's Director Stock Option Plan. This option fully vested on December 14, 1999 and is exercisable at $38.63 per share.

The foregoing stock option grants were made in reliance upon exemptions from registration provided by Sections 4(2) and 3(b) of the Securities Act of 1933, as amended, and regulations promulgated thereunder.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Form 10-K. Additionally, the following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Form 10-K.

	YEAR ENDED DECEMBER 31				
	1995	1996	1997	1998	1999
	(dollars in thousands, except per share data)				
STATEMENT OF OPERATIONS DATA:					
Revenues	$ 41,509	$ 71,584	$ 89,150	$ 140,984	$ 205,227
Cost of services	33,230	57,238	71,986	115,079	166,880
Gross profit	8,279	14,346	17,164	25,905	38,347
Selling, general and administrative expenses	5,341	7,764	8,703	14,714	20,338
Management fee expense	2,600	6,172	3,126	--	--
Operating profit	338	410	5,335	11,191	18,009
Net interest income (expense) and other	(396)	(372)	933	2,254	2,814
Income (loss) before income taxes	(58)	38	6,268	13,445	20,823
Income tax expense	--	112	2,110	4,901	7,800
Net income (loss)	$ (58)	$ (74)	$ 4,158	$ 8,544	$ 13,023
Earnings per share:					
Basic				$ 0.62	$ 0.94
Diluted				$ 0.62	$ 0.92
Weighted average shares outstanding:					
Basic				13,828,571	13,874,556
Diluted				13,828,571	14,139,149
SELECTED OPERATING DATA:					
Capital expenditures, net of proceeds	$ 2,104	$ 1,333	$ 3,191	$ 13,927	$ 12,591
Depreciation and amortization	$ 873	$ 1,438	$ 1,829	$ 2,852	$ 4,715
BALANCE SHEET DATA (DECEMBER 31):					
Working capital	$ 798	$ 2,895	$ 38,704	$ 38,336	$ 40,214
Total assets	21,580	22,979	58,172	80,201	101,435
Total debt	7,294	6,475	664	4,225	7,424
Total stockholders' equity	$ 3,798	$ 7,103	$ 46,006	$ 54,133	$ 71,046

SELECTED UNAUDITED PRO FORMA INFORMATION:

	YEAR ENDED DECEMBER 31		
	1995	1996	1997
	(dollars in thousands, except per share data)		
Historical net income (loss)	$ (58)	$ (74)	$ 4,158
Add back management fee expense	2,600	6,172	3,126
Less applicable income tax expense	(948)	(2,204)	(1,394)
Pro forma net income	$ 1,594	$ 3,894	$ 5,890
Earnings per share:			
Basic			$ 0.47
Diluted			$ 0.47
Weighted average shares outstanding:			
Basic			12,652,680
Diluted			12,652,680

The Company was an S corporation for federal and state income tax purposes from July 1, 1992 through June 17, 1997, and accordingly, was not subject to federal or state income taxes. The S corporation election was terminated on June 17, 1997 in contemplation of the Company's initial public offering. Since June 18, 1997, the Company has been a C corporation for federal and state income tax purposes. Pro forma net income: (i) reflects the elimination of management fee expense; and (ii) includes a provision for federal, state and foreign income taxes at an effective rate of 37.3% during the applicable S corporation period. Management fee expense was discontinued in connection with the initial public offering in June 1997. Pro forma presentation was not applicable for the years ended December 31, 1998 and 1999.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" or elsewhere in this Form 10-K that are not statements of historical facts are forward-looking statements that involve substantial risks and uncertainties. Forward-looking statements are preceded by terms such as "may", "will", "should", "anticipates", "expects", "believes", "plans", "future", "estimate", "continue", and similar expressions. The following are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements; these include, but are not limited to, inflation and general economic conditions in the Company's and its clients' markets, risks associated with the Company's reliance on a principal client, loss or delayed implementation of a large project which could cause quarterly variation in the Company's revenues and earnings, difficulties in managing rapid growth, risks associated with rapidly changing technology, dependence on labor force, risks associated with international operations and expansion, control by principal stockholders, dependence on key personnel, dependence on key industries and trends toward outsourcing, risks associated with the Company's contracts, highly competitive markets, risks of business interruptions, volatility of the Company's stock price, and risks related to the Company's investment in and note receivable from Good Catalog Company doing business as gifts.com, risks related to the Company's Internet web site operations, and risks related to the Company's portfolio of Internet domain names. These factors include risks and uncertainties beyond the Company's ability to control; and, in many cases, the Company and its management cannot predict the risks and uncertainties that could cause actual results to differ materially from those indicated by use of forward-looking statements. All forward-looking statements herein are made as of the date hereof, and the Company undertakes no obligation to update any such forward-looking statements. All forward-looking statements herein are qualified in their entirety by the information set forth in "Factors That May Affect Future Results" below.

OVERVIEW

StarTek has historically generated revenues through the provision of process management services, which include E-commerce support and fulfillment, provisioning management for complex telecommunications systems, high-end inbound technical support, and a comprehensive offering of supply chain management services. The Company recognizes revenues as process management services are completed. Substantially all of the Company's significant arrangements with its clients for its services generate revenues based, in large part, on the number and duration of customer inquiries, and the volume, complexity and type of components involved in the handling of clients' products. Changes in the complexity or type of components in the product units assembled by the Company may have an effect on the Company's revenues, independent of the number of product units assembled.

An essential element of the Company's ability to grow is availability of capacity to readily provide for the needs of new clients and increasing needs of existing clients. StarTek operates from facilities in the United States, United Kingdom and Singapore. The Company's capacity expanded during 1999 through: (i) lease of a 30,000 square-foot building in Big Spring, Texas; (ii) expansion of previously existing space in Hartlepool, England from 53,000 to 73,000 square feet; and (iii) purchase of an 88,000 square-foot building in Greeley, Colorado. These three additions, together with the Company's previously existing capacity, provided adequate capacity to accommodate revenue and earnings growth experienced by the Company during 1999. Management believes StarTek's existing facilities are adequate for the Company's current and near term operations, but continued capacity expansion will be required to support continued growth. Management intends to maintain a certain amount of excess capacity to enable StarTek to readily provide for needs of new clients and increasing needs of existing clients. The 10,500 square-foot Greeley facility purchased in 1993 was closed in December 1999, and is currently for sale. Certain process management services previously provided from the Denver facility were completely transferred to other facilities by January 31, 2000. Currently, a relatively small portion of the Denver facility provides for certain executive, corporate, and information technology functions, while management evaluates possible operating activities which could be located in this facility.

The Company's cost of services primarily include labor, telecommunications, materials, and freight expenses that are variable in nature and certain facility expenses. All other operating expenses, including expenses attributed to technology support, sales and marketing, human resource management, and other administrative functions not allocable to specific client services, are included in selling, general and administrative expenses, which generally tend to be either semi-variable or fixed in nature.

From July 1992, through June 17, 1997, the Company operated as an S corporation and, accordingly, was not subject to federal or state income taxes. As an S corporation, in addition to general compensation for services rendered, the Company historically paid certain management fees, bonuses and other fees to the principal stockholders and/or their affiliates in amounts on an annual basis which were approximately equal to the annual earnings of the Company, and all such amounts were reflected as management fee expense in the consolidated statement of operations. Upon receipt of such management fees and bonuses, the principal stockholders historically contributed approximately 53% of such amounts to the Company to provide necessary working capital, with substantially all of the remaining balance used to pay applicable federal and state income taxes. The amounts so contributed are reflected in additional paid-in-capital on the Company's consolidated balance sheets. Effective with the closing of the Company's initial public offering, these management fees and bonus arrangements were discontinued.

Compensation has continued to be payable to certain principal stockholders as general compensation for services rendered in the form of salaries or advisory fees and all such payments are included in selling, general and administrative expenses in the consolidated statement of operations. At current rates, such payments, in the aggregate, approximate $516,000 annually.

The Company frequently purchases components of its clients' products as an integral part of its process management services and in advance of providing its product assembly and packaging services. These components are packaged, assembled, and held by StarTek pending shipment. The Company generally has the right to be reimbursed from clients for unused inventories. Client-owned inventories are not reflected in the Company's consolidated balance sheets. See Note 1 and 4 to the consolidated financial statements set forth herein for a further description of the Company's inventories.

RESULTS OF OPERATIONS

The following tables should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Form 10-K.

The following table sets forth, for the periods indicated, certain consolidated statement of operations data expressed as a percentage of revenues:

	YEAR ENDED DECEMBER 31		
	1997	1998	1999
Revenues	100.0%	100.0%	100.0%
Cost of services	80.7	81.6	81.3
Gross profit	19.3	18.4	18.7
Selling, general and administrative expenses	9.8	10.4	9.9
Management fee expense	3.5	--	--
Operating profit	6.0	8.0	8.8
Net interest income and other	1.0	1.6	1.4
Income before income taxes	7.0	9.6	10.2
Income tax expense	2.3	3.5	3.8
Net income	4.7%	6.1%	6.4%

The following table sets forth certain unaudited pro forma consolidated statement of operations data, expressed in dollars and as a percentage of revenues for the year ended December 31, 1997 (dollars in thousands, except per share data) (a):

Revenues	$ 89,150	100.0%
Cost of services	71,986	80.7
Gross profit	17,164	19.3
Selling, general and administrative expenses	8,703	9.8
Operating profit	8,461	9.5
Net interest income and other	933	1.0
Income before income taxes	9,394	10.5
Income tax expense	3,504	3.9
Pro forma net income	$ 5,890	6.6%
Earnings per share:		
Basic	$ 0.47	
Diluted	$ 0.47	
Weighted average shares outstanding:		
Basic	12,652,680	
Diluted	12,652,680	

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(a) The Company was an S corporation for federal and state income tax purposes from July 1, 1992 through June 17, 1997, and accordingly, was not subject to federal or state income taxes. The S corporation election was terminated on June 17, 1997 in contemplation of the Company's initial public offering. Since June 18, 1997, the Company has been a C corporation for federal and state income tax purposes. Pro forma net income: (i) reflects the elimination of management fee expense; and (ii) includes a provision for federal, state and foreign income taxes at an effective rate of 37.3% during the applicable S corporation period.

Management fee expense was discontinued in connection with the initial public offering in June 1997. Pro forma presentation was not applicable for the years ended December 31, 1998 and 1999.

1999 Compared to 1998

Revenues. Revenues increased $64.2 million, or 45.6%, from $141.0 million in 1998 to $205.2 million in 1999. This increase was primarily from existing and new clients, partially offset by decreases in the volume of services provided to other existing clients. Also, management believes changes in the timing of the volume of services provided to the Company's clients due to year 2000 buying patterns contributed to the increase in revenues experienced by the Company during 1999.

Cost of Services. Cost of services increased $51.8 million, or 45.0%, from $115.1 million in 1998 to $166.9 million in 1999. As a percentage of revenues, cost of services was 81.6% and 81.3% in 1998 and 1999, respectively. This percentage amount remained relatively consistent.

Gross Profit. Due to the foregoing factors, gross profit increased $12.4 million in 1999, or 48.0%, from $25.9 million in 1998 to $38.3 million in 1999. As a percentage of revenues, gross profit was 18.4% and 18.7% in 1998 and 1999, respectively.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $5.6 million, or 38.2%, from $14.7 million in 1998 to $20.3 million in 1999, primarily as a result of increased personnel and related expansion costs incurred to service increasing business. As a percentage of revenues, selling, general and administrative expenses decreased from 10.4% in 1998 to 9.9% in 1999.

Operating Profit. As a result of the foregoing factors, operating profit increased from $11.2 million in 1998 to $18.0 million in 1999. As a percentage of revenues, operating profit increased from 8.0% in 1998 to 8.8% in 1999.

Net Interest Income and Other. Net interest income and other was $2.3 million in 1998 and $2.8 million in 1999. The majority of net interest income and other continues to be derived from cash equivalents and investment balances, partially offset by interest expense incurred as a result of the Company's various debt and lease arrangements.

Income Before Income Taxes. As a result of the foregoing factors, income before income taxes increased $7.4 million, or 54.9%, from $13.4 million in 1998 to $20.8 million in 1999. As a percentage of revenues, income before income taxes increased from 9.6% in 1998 to 10.2% in 1999.

Income Tax Expense. Income tax expense for 1998 and 1999 reflects a provision for federal, state, and foreign income taxes at an effective rate of 36.5% and 37.5%, respectively.

Net Income. Based on the factors discussed above, net income increased $4.5 million, or 52.4%, from $8.5 million in 1998 to $13.0 million in 1999.

1998 Compared to 1997

Revenues. Revenues increased $51.8 million, or 58.1%, from $89.2 million for 1997 to $141.0 million for 1998. This increase was primarily due to an increase in the volume of services provided to one of the Company's principal clients, together with certain existing and new clients, partially offset by decreases in the volume of services provided to other existing clients.

Cost of Services. Cost of services increased $43.2 million, or 59.9%, from $71.9 million for 1997 to $115.1 million for 1998. As a percentage of revenues, costs of services increased from 80.7% for 1997 to 81.6% for 1998. This percentage increase was primarily due to higher overall costs of certain business for a principal client at lower relative margins, mix of services performed and training and start-up expenses related to the new Greeley, Colorado, Laramie, Wyoming and Clarksville, Tennessee facilities, all of which became operational during 1998.

Gross Profit. Due to the foregoing factors, gross profit increased $8.7 million, or 50.9%, from $17.2 million for 1997 to $25.9 million for 1998. As a percentage of revenues, gross profit decreased from 19.3% for 1997 to 18.4% for 1998.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $6.0 million, or 69.1%, from $8.7 million for 1997 to $14.7 million for 1998, primarily as a result of increased personnel costs incurred to service increasing business and costs associated with capacity expansion. As a percentage of revenues, selling, general and administrative expenses increased from 9.8% for 1997 to 10.4% for 1998.

Management Fee Expense. Management fee expense was $3.1 million for 1997 and zero for 1998. Effective with the closing of the Company's initial public offering in June 1997, management fees were discontinued.

Operating Profit. As a result of the foregoing factors, operating profit increased from $5.3 million for 1997 to $11.2 million for 1998. As a percentage of revenues, operating profit increased from 6.0% for 1997 to 8.0% for 1998.

Net Interest Income and Other. Net interest income and other was $0.9 million for 1997 and $2.3 million for 1998. This increase was primarily a result of an increase in interest income derived from cash equivalents and investments available for sale balances during 1998, whereas there were line of credit and substantially more capital lease borrowings outstanding during the first half of 1997, substantially all of which were repaid from the net proceeds received by the Company from its June 1997 initial public offering.

Income Before Income Taxes. As a result of the foregoing factors, income before income taxes increased $7.1 million, or 114.5%, from $6.3 million for 1997 to $13.4 million for 1998. As a percentage of revenues, income before income taxes increased from 7.0% for 1997 to 9.6% for 1998.

Income Tax Expense. The Company was taxed as an S corporation for federal and state income tax purposes from July 1, 1992 through June 17, 1997, when S corporation status was terminated in contemplation of the Company's initial public offering. Accordingly, the Company was not subject to federal or state income taxes prior to June 17, 1997. During 1997, a provision for income taxes as a C corporation was made for the period June 18, 1997 through December 31, 1997 as adjusted for a foreign tax benefit item, less a one-time credit to record a net deferred tax asset of $0.3 million upon termination of S corporation status. Income tax expense for 1998 reflects a provision for federal, state and foreign income taxes at an effective rate of 36.5%.

Net Income. Based on the factors discussed above, net income increased $4.3 million, or 105.5%, from $4.2 million for 1997 to $8.5 million for 1998. As a percentage of revenues, net income increased from 4.7% for 1997 to 6.1% for 1998.

Pro Forma Management Fee Expense; Pro Forma Operating Profit; Pro Forma Income Before Income Taxes; Pro Forma Income Tax Expense and Pro Forma Net Income for 1997 compared to actual results for 1998. Pro forma amounts for 1997 reflect the elimination of management fees and bonuses to stockholders and their affiliates as these fees and bonuses were discontinued upon the closing of the Company's June 1997 initial public offering, and provide for related income taxes at 37.3% of pre-tax income as if the Company were taxed as a C corporation for the entire year of 1997. Pro forma presentation was not applicable to 1998. As a result of the foregoing factors: (i) pro forma management fee expense is zero for 1997 and actual management fee expense is zero for 1998; (ii) pro forma operating profit was $8.5 million for 1997 compared to actual operating profit of $11.2 million for 1998, while such operating profit represented 9.5% and 8.0% of revenues, respectively; (iii) income before income taxes increased $4.0 million, or 43.1%, from a pro forma amount of $9.4 million for 1997 to an actual amount of $13.4 million for 1998; (iv) income tax expense increased $1.4 million, or 39.9%, from a pro forma amount of $3.5 million for 1997 to an actual amount of $4.9 million for 1998; and (v) net income increased $2.6 million, or 45.1%, from a pro forma amount of $5.9 million for 1997 to an actual amount of $8.5 million for 1998.

LIQUIDITY AND CAPITAL RESOURCES

In June 1997, the Company completed an initial public offering of its common stock, which yielded net proceeds to the Company of approximately $41.0 million. The Company applied such proceeds to repay substantially all of its then outstanding debt, and for working capital and other general corporate purposes, including capital expenditures to expand its operating capacity. Since fully applying the net proceeds received from its June 1997 initial public offering, the Company has primarily financed its operations, liquidity requirements, capital expenditures, and capacity expansion through cash flows from operations and, to a lesser degree, through various forms of debt financing and leasing arrangements.

The Company has a $5.0 million line of credit with Norwest Bank Colorado, N.A. (the "Bank"), which matures on April 30, 2001. Borrowings under the line of credit bear interest at the Bank's prime rate (8.5% as of December 31, 1999). Under this line of credit, the Company is required to maintain working capital of $17.5 million and tangible net worth of $25.0 million. The Company may not pay dividends in an amount which would cause a failure to meet these financial covenants. As of December 31, 1999 and the date of this Form 10-K, the Company was in compliance with these financial covenants. Collateral for the line of credit is trade accounts receivable of certain of the Company's wholly owned subsidiaries. As of December 31, 1999 and the date of this Form 10-K, no amount was outstanding under the $5.0 million line of credit.

On October 26, 1998, the Company, through its wholly owned subsidiary StarTek USA, Inc., entered into an equipment loan agreement with a finance company maturing November 2, 2002. In connection with the equipment loan, the Company received cash of $3.6 million in exchange for providing, among other things, certain collateral, which generally consisted of equipment, furniture, and fixtures used in the Company's business. The equipment loan provides for interest at a fixed annual rate of interest of 7.0% and for the Company to pay forty-eight equal monthly installments, which, in the aggregate, totaled approximately $4.2 million at inception of the equipment loan. In addition to the collateral described above, the Company granted to the finance company a secondary security interest in certain of its wholly owned subsidiaries' account receivable.

On February 16, 1999, the Company entered into a lease agreement for 46,350 square feet of building space in Grand Junction, Colorado. The facility is used for a call center, general office use, and other services offered by the Company (the "Grand Junction Facility"). The term of the lease agreement commenced on May 1, 1999 and unless earlier terminated or extended, continues until April 30, 2009. Pursuant to the terms of the lease agreement, the Company was granted, among other things: (i) a right of first refusal to purchase the property, of which the leased space is a part, during the lease term; and (ii) a right to terminate the lease agreement anytime after the end of the fifth year, by giving the landlord 180 day prior written notice to terminate. Assuming the lease agreement is not terminated after the end of the fifth year, total minimum rental commitments, in the aggregate, excluding certain taxes and utilities as defined, are approximately $1.1 million and are payable on a monthly basis from May 1999 through April 2009.

On July 16, 1999, the Company entered into a lease agreement for an additional 20,000 square feet of building space in Hartlepool, England, to be used for the continuing operations of StarTek Europe, Ltd. (a wholly owned subsidiary of the Company). The term of the lease agreement commenced on May 1, 1998 and unless earlier terminated, extended, or otherwise revised, continues until April 30, 2013. If the Company and the landlord do not complete a new lease agreement for additional premises, as defined, the Company was granted the right to terminate the lease agreement on May 1, 2003 by giving the landlord at least six months written notice to terminate. Additionally, if a new lease agreement for additional premises, as defined, is consummated, the Company was granted the right to terminate the lease agreement on May 1, 2008 by giving the landlord at least six months written notice to terminate. Pursuant to the terms of the lease agreement, the Company was granted an option, which commences on May 1, 2008 and expires on July 31, 2008, to purchase the leased property at market value as determined at such time. The lease agreement provides for quarterly lease payments which, in the aggregate for the periods described, are: 106,000 British Pounds from May 1, 1998 through April 30, 1999, all of which the Company has paid; 584,000 British Pounds from May 1, 1999 through April 30, 2003, a portion of which the Company has paid pursuant to the quarterly lease payment schedule provided for in the lease agreement; and 1,095,000 British Pounds from May 1, 2003 through April 30, 2008. Quarterly lease payments from May 1, 2008 through April 30, 2013 will equal lease payments as agreed to between the landlord and the Company, or by formula in the absence of such an agreement.

Effective September 15, 1999, the Company, through its wholly owned subsidiary Domain.com, Inc. ("Domain.com"), entered into a contribution agreement (the "Contribution Agreement") and stockholders agreement with The Reader's Digest Association, Inc. ("Reader's Digest") and Good Catalog Company, previously a wholly owned subsidiary of Reader's Digest. On November 8, 1999, pursuant to the Contribution Agreement, Domain.com purchased 19.9% of the outstanding common stock of Good Catalog Company for approximately $2.6 million in cash. Reader's Digest owns the remaining 80.1% of the outstanding common stock of Good Catalog Company. The Contribution Agreement provides for: (i) an assignment from Domain.com to Good Catalog Company of Domain.com's right, title, and interest in and to the URL www.gifts.com; and (ii) an undertaking by Good Catalog Company to effect a change in its name to Gifts.com, Inc. Domain.com has the right to designate at least one member of Good Catalog Company's board of directors, which will consist of at least five directors. Effective November 1, 1999, Domain.com, Reader's Digest, and Good Catalog Company entered into a loan agreement pursuant to which Domain.com advanced an unsecured loan of $7.8 million and Reader's Digest advanced an unsecured loan of $18.4 million to Good Catalog Company (the "Loans"). The Loans mature November 1, 2002, bear interest at a rate equal to a three month LIBO rate plus 2.0% per annum, and interest is payable quarterly. Currently, Good Catalog Company, doing business as gifts.com, provides an Internet web site accessed through the URL www.gifts.com that sells gifts on-line. The Company agreed to perform certain fulfillment services for Good Catalog Company in connection with certain products and services to be sold in connection with gifts.com.

On October 14, 1999, the Company purchased an 88,000 square-foot building in Greeley, Colorado for $4.2 million in cash. The building is used for certain executive and other offices, E-commerce support operations, and telecommunications provisioning management business.

On October 22, 1999, the Company, through its wholly owned subsidiary StarTek USA, Inc., completed an equipment loan arrangement with a finance company maturing October 22, 2003. In connection with the equipment loan, the Company received cash of $2.0 million in exchange for providing, among other things, certain collateral which generally consisted of computer hardware and software, various forms of telecommunications equipment, and furniture and fixtures whose estimated cost was equal to the principal amount of the equipment loan. The equipment loan arrangement provides for interest at the prime rate minus 1.60% (6.9% as of December 31, 1999), and forty-eight consecutive monthly payments. StarTek USA, Inc. is required, from time to time, to maintain certain operating ratios. As of December 31, 1999 and the date of this Form 10-K, StarTek USA, Inc. was in compliance with these financial covenants.

On November 1, 1999, the Company entered into a lease agreement for 30,000 square feet of building space in Big Spring, Texas. The facility is principally used for a call center supporting Internet and telecommunications clients, and for general office use and other services offered by the Company. The term of the lease agreement commenced on November 1, 1999 and unless earlier terminated or extended, continues until November 1, 2014. Pursuant to the terms of the lease agreement, the Company was granted, among other things: (i) a right to terminate the lease agreement in the fifth or tenth year. Assuming the lease agreement is not terminated after the end of the fifth or tenth year, total minimum rental commitments, in the aggregate, excluding certain taxes and utilities as defined, are approximately $0.9 million, and are payable on a monthly basis from November 1999 through November 2014. Pursuant to an incentive agreement and through the tenth year of the lease agreement, the Company shall be reimbursed for the actual amount of its lease payments.

In November 1999, the Company received $2.3 million in cash in connection with its Big Spring, Texas operations through a non-interest bearing fifteen-year promissory note. The principal balance of the promissory note declines without payment over fifteen years based on the level of employment at the Company's Big Spring, Texas facility during the term of the promissory note.

As of December 31, 1999, the Company had cash, cash equivalents, and investment balances of $35.9 million, working capital of $40.2, and stockholders' equity of $71.0 million. Investments available for sale primarily consisted of corporate bonds, foreign government bonds denominated in U.S. dollars, bond mutual funds, real estate investment trusts, equity mutual funds, and publicly traded common stock of U.S. based companies. Trading securities generally consisted of publicly traded common stock of U.S. based companies, and international equity mutual funds, together with certain hedging securities, and various forms of derivative securities. StarTek's cash and cash equivalents are not restricted. The Company's investments available for sale and trading securities could be materially and adversely affected by: (i) various domestic and foreign economic conditions, such as recession, increasing interest rates, adverse foreign currency exchange fluctuations, foreign and domestic inflation, and other factors; (ii) the inability of certain corporations to repay their debts, including interest amounts, to the Company; and (iii) changes in market price of common stocks, international equity mutual funds, hedging securities, and other derivative securities held by the Company due to the level of trading in such securities, and other risks generally attributable to U.S. based publicly traded companies. See "Quantitative and Qualitative Disclosure About Market Risk" set forth herein for further discussions regarding the Company's cash, cash equivalents, investments available for sale, and trading securities.

Net cash provided by operating activities increased from $13.1 million in 1998 to $15.8 million in 1999. This increase was primarily a result of increases in net income, accrued and other liabilities, depreciation and amortization expense, and income taxes payable. The positive effects of the foregoing were partially offset by increases in net deferred tax assets, net purchases of trading securities, net trade accounts receivable, inventories, and prepaid expenses and other assets; and decreases in accounts payable. Microsoft Corporation ("Microsoft") accounted for approximately 77.5% of the Company's revenues in 1999. Correspondingly, the Company's cash flows from operating activities were in the past and presently continue to be substantially dependent upon its Microsoft related process management services operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations"--"Factors That May Affect Future Results" set forth herein for a further discussion of the Company's "Reliance on Principal Client Relationship" and "Risks Associated with the Company's Contracts".

Net cash used in investing activities was $24.2 million in 1998 and $28.9 million in 1999. This increase was primarily due to $2.6 million and $7.8 million paid to Good Catalog Company in exchange for a 19.9% equity interest in and a note receivable from Good Catalog Company, respectively. The effects of the foregoing were partially offset by decreases, in the aggregate of $5.7 million, related to net purchases of property, plant, and equipment and net purchases of investments available for sale.

Net cash provided by financing activities was $3.6 million in 1998, which primarily consisted of $3.7 million of net proceeds received from an October 1998 equipment loan and other borrowings, partially offset by approximately $0.1 million of principal payments for the October 1998 equipment loan and various capital lease obligations. Net cash provided by financing activities was $5.6 million in 1999, which primarily consisted of $2.4 million of proceeds received from exercises of employee stock options and $4.3 million of proceeds received from borrowing arrangements entered into during 1999, partially offset by $1.1 million of principal payments on borrowings and capital lease obligations.

The effect of currency exchange rate changes on the translation of the Company's United Kingdom and Singapore operations was not substantial during 1999. The terms of the Company's agreements with its clients and its subcontracts are typically in U.S. dollars except for certain of its agreements related to its United Kingdom and Singapore operations. If the international portion of the Company's business continues to grow, more revenues and expenses will be denominated in foreign currencies, and this will increase the Company's exposure to fluctuations in currency exchange rates. See "Quantitative and Qualitative Disclosure About Market Risk" set forth herein for a further discussion of the Company's exposure to foreign currency exchange risks in connection with certain of its investments.

Management believes the Company's current cash, cash equivalents, investments, anticipated cash flows from future operations, and $5.0 million of currently available financing under its line of credit, will be sufficient to support its operations, capital expenditures, and various repayment obligations under its debt and lease agreements for the foreseeable future. However, liquidity and capital requirements depend on many factors, including, but not limited to, the Company's ability to retain or successfully and timely replace its principal client and the rate at which the Company expands its business, whether internally or through acquisitions and strategic alliances. To the extent funds generated from sources described above are insufficient to fund the Company's activities in the short or long-term, the Company will be required to raise additional funds through public or private financing. No assurance can be given that additional financing will be available, or that if available, it will be available on terms favorable to the Company.

QUARTERLY RESULTS

Note 17 to the consolidated financial statements set forth herein reflects certain unaudited statement of operations data for the quarters in 1998 and 1999. Unaudited quarterly information has been prepared on the same basis as annual information and, in management's opinion, includes all adjustments necessary to present fairly information for quarters presented. See "Management's Discussion and Analysis of Financial Condition and Results of Operations"-- "Factors That May Affect Future Results"--"Variability of Quarterly Operating Results" set forth herein for a further discussion of the Company's quarterly results.

For quarterly periods in 1998 and 1999, revenues, cost of services and gross profits fluctuated principally due to the seasonal pattern of certain of the businesses served by the Company and an increase in the volume of services provided to the Company's principal client, together with certain existing and new clients, partially offset by decreases in the volume of services provided to other existing clients. Revenues, cost of services, and gross profit from the fourth quarter of 1998 to the first quarter of 1999 declined principally due to the seasonal pattern of certain businesses served by the Company. Also, management believes changes in the timing of the volume of services provided to the Company's clients due to year 2000 buying patterns contributed to the increase in revenues experienced by the Company in the third quarter of 1999 by accelerating significant revenues into the third quarter of 1999 revenues that may have otherwise occurred in the fourth quarter of 1999 and potentially the first quarter of 2000.

The following table sets forth certain unaudited statement of operations data, expressed as a percentage of revenues:

	1998 QUARTERS ENDED				1999 QUARTERS ENDED			
	MAR 31	JUN 30	SEPT 30	DEC 31	MAR 31	JUN 30	SEPT 30	DEC 31
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	18.8	19.0	18.4	18.0	18.8	18.6	18.5	18.8
Selling, general and administrative expenses	11.2	13.3	11.0	8.6	10.8	11.4	10.7	7.7
Operating profit	7.6	5.7	7.4	9.4	8.0	7.2	7.8	11.1
Net income	6.2%	5.4%	5.7%	6.5%	6.0%	5.5%	5.8%	7.6%

Gross profit as a percentage of revenues, remained relatively constant from the fourth quarter of 1998 to the first quarter of 1999, and for each of the comparative quarters between 1998 and 1999 as a substantial portion of the Company's revenues continued to be derived from the Company's principal client and the terms of the Company's arrangements with its principal client have also, in large part, remained constant.

For the quarterly periods in 1998 and 1999, selling, general and administrative expenses fluctuated principally due to personnel and related expansion costs incurred to service increasing business. Additionally, for the quarterly periods in 1998 and 1999, selling, general and administrative expenses fluctuated partially due to the spreading of fixed and semi-variable costs over a revenue base that fluctuates from quarter to quarter.

Operating profit fluctuated within the quarterly periods of 1998 and 1999 based primarily on the factors noted above.

Net income also fluctuated within the quarterly periods in 1998 and 1999 based primarily on the factors noted above, and based on an increase in net interest income and other derived from the Company's cash equivalents and investments in 1999 partially offset by a provision for income taxes in 1999 of 37.5%.

INFLUENCE OF YEAR 2000

In 1999, management discussed the nature and progress of StarTek's plans to become Year 2000 ready. In late 1999, management believed the Company completed its remediation and testing of certain systems. Because of those planning and implementation efforts, management believes: (i) the Company experienced no significant disruptions in mission critical information technology and non-information technology systems; and (ii) those systems successfully responded to the Year 2000 date change. The Company expensed approximately $150,000 related to remediating its systems. Management is not aware of any substantial problems, resulting from Year 2000 issues, with StarTek's services, internal systems, or products and services of third parties. Management plans to continue to monitor StarTek's mission critical computer applications and those of its important suppliers throughout 2000 in an effort to insure StarTek addresses any latent Year 2000 problems responsively. Management does not anticipate incurring any material costs related to its ongoing monitoring of Year 2000 issues.

INFLATION AND GENERAL ECONOMIC CONDITIONS

Although the Company cannot accurately anticipate the effect of domestic and foreign inflation on its operations, the Company does not believe inflation has had, or is likely in the foreseeable future to have, a material adverse effect on its results of operations or financial condition.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Reliance on Principal Client Relationship

Microsoft Corporation ("Microsoft") accounted for approximately 77.5% of the Company's revenues in 1999. Loss of Microsoft as a client would have a material adverse effect on the Company's business, results of operations, and financial condition. The Company provides various outsourced services to various divisions of Microsoft, which began its outsourcing relationship with the Company in April 1996. There can be no assurance the Company will be able to retain Microsoft as a client or, if it were to lose Microsoft as a client, it would be able to timely replace Microsoft with clients which generate a comparable amount of revenues. Additionally, the amount and growth rate of revenues derived from the Microsoft relationship in the past is not necessarily indicative of revenues that may be expected from Microsoft in the future.

Variability of Quarterly Operating Results

The Company's business is highly seasonal and is at times conducted in support of product launches for new and existing clients. Historically, the Company's revenues have been substantially lower in the quarters preceding the fourth quarter due to timing of its clients' marketing programs and product launches, which are typically geared toward the holiday buying season. Additionally, the Company has experienced, and expects to continue to experience, quarterly variations in operating results as a result of a variety of factors, many of which are outside the Company's control, including: (i) timing of existing and future client product launches; (ii) expiration or termination of existing client projects; (iii) timing and amount of costs incurred to expand capacity in order to provide for further revenue growth from current and future clients; (iv) seasonal nature of certain clients' businesses; (v) cyclical nature of certain high technology clients' businesses; and (vi) changes in the amount and growth rate of revenues generated from the Company's principal client.

Difficulties in Managing Business Undergoing Rapid Growth

StarTek has experienced rapid growth over the past several years and anticipates continued future growth. Continued growth depends on a number of factors, including the Company's ability to: (i) initiate, develop, and maintain new and existing client relationships, particularly relationships with its principal client; (ii) expand its sales and marketing organization; (iii) recruit, motivate, and retain qualified management, customer support, and other personnel; (iv) rapidly expand capacity of its existing facilities or identify, acquire or lease suitable additional facilities on acceptable terms and complete build-outs of such facilities in a timely and economic fashion; (v) provide high quality services to its clients; and (vi) maintain relationships with high-quality and reliable suppliers. Continued rapid growth can be expected to place significant strain upon the Company's management, employees, operations, operating and financial systems, and other resources. To accommodate such growth and to compete effectively, the Company must continue to implement and improve its information systems, procedures, and controls and expand, train, motivate, and manage its workforce. There can be no assurance the Company's personnel, systems, procedures, and controls will be adequate to support the Company's future operations. Further, there can be no assurance the Company will be able to maintain or accelerate its current growth, effectively manage its expanding operations, or achieve planned growth on a timely and profitable basis. If the Company is unable to manage growth effectively or if growth does not occur, its business, results of operations, and financial condition could be materially and adversely affected.

Risks Associated with Rapidly Changing Technology

Continued and substantial world-wide use and development of the Internet as a delivery system for computer software, hardware, computer games, other computer related products, and products in general could significantly and adversely affect demand for the Company's services. Additionally, the Company's success is significantly dependent on its computer equipment, telecommunications equipment, software systems, operating systems, and financial systems. There can be no assurance the Company will be able to timely and successfully develop and market any new services, such services will be commercially successful, or clients' and competitors' technologies or services will not render the Company's services obsolete. Furthermore, the Company's failure to successfully and timely implement sophisticated technology or to respond effectively to technological changes in general, would have a material adverse effect on the Company's success, growth prospects, results of operations, and financial condition.

Dependence on Labor Force

StarTek's success is largely dependent on its ability to recruit, hire, train, and retain qualified employees. The Company's business is labor intensive and continues to experience relatively high personnel turnover. The Company's operations, especially its technical support teleservices, generally require specially trained employees. Increases in the Company's employee turnover rate could increase the Company's recruiting and training costs and decrease its operating efficiency and productivity. Also, the addition of new clients or implementation of new projects for existing clients may require the Company to recruit, hire, and train personnel at accelerated rates. There can be no assurance the Company will be able to successfully recruit, hire, train, and retain sufficient qualified personnel to adequately staff for existing business or future growth. Additionally, since a substantial portion of the Company's operating expenses consist of labor related costs, continued labor shortages together with increases in wages (including minimum wages as mandated by the U.S. federal government, employee benefit costs, employment tax rates, and other labor related expenses) could have a material adverse effect on StarTek's business, operating profit, and financial condition. Furthermore, certain of StarTek's facilities are located in areas with relatively low unemployment rates and/or relatively high labor costs, thus potentially making it more difficult and costly to hire qualified personnel.

Risks Associated with International Operations and Expansion

StarTek currently conducts business in Europe and Asia, in addition to its North America operations. Such international operations accounted for approximately 24.0% of the Company's revenues for the year ended December 31, 1999. A component of the Company's growth strategy continues to be expansion of its international operations. There can be no assurance the Company will be able to continue or expand its capacity to market, sell, and deliver its services in international markets, or develop relationships with other businesses to expand its international operations. Additionally, there are certain risks inherent in conducting international business, including: (i) exposure to foreign currency fluctuations against the U.S. dollar; (ii) potentially longer working capital cycles; (iii) greater difficulties in collecting accounts receivable; (iv) difficulties in complying with a variety of foreign laws and foreign tax regulations; (v) unexpected changes in foreign government programs, policies, regulatory requirements and labor laws; (vi) difficulties in staffing and effectively managing foreign operations; and (vii) political instability and adverse tax consequences. There can be no assurance one or more of such factors will not have a material adverse effect on the Company's international operations and, consequently, on the Company's business, results of operations, growth prospects, and financial condition.

Control by Principal Stockholders

As of March 1, 2000, A. Emmet Stephenson, Jr., Chairman of the Board and co-founder of the Company, and his family beneficially own approximately 65.5% of the Company's outstanding common stock. As a result, Mr. Stephenson and his family will be able to elect the entire Board of Directors of the Company and to control substantially all other matters requiring action by the Company's stockholders. Additionally, substantially all of the Company's revenues, operating expenses, and operating results in general are derived from the Company's wholly owned subsidiaries. Mr. Stephenson is the sole director for each of the Company's wholly owned subsidiaries. Such voting concentration may discourage, delay or prevent a change in control of the Company and its wholly owned subsidiaries. In connection with Domain.com, Inc.'s 19.9% equity interest in Good Catalog Company, Mr. Stephenson is also a director of Good Catalog Company. Previously, Good Catalog Company was a wholly owned subsidiary of The Reader's Digest Association, Inc. Domain.com, Inc. is a wholly owned subsidiary of StarTek, Inc. Currently, Good Catalog Company, doing business as gifts.com, sells gifts on-line through an Internet web site accessed through the URL www.gifts.com.

Dependence on Key Personnel

The Company's success to date has depended in part on the skills and efforts of Mr. Stephenson and Michael W. Morgan, President, Chief Executive Officer, Director, and co-founder of the Company. As of March 1, 2000, Mr. Stephenson and his family and Mr. Morgan beneficially own approximately 65.5% and 4.7% of the Company's outstanding common stock, respectively. Mr. Stephenson and Mr. Morgan have not entered into employment agreements with the Company and there can be no assurance the Company can retain the services of these individuals. The loss of either Mr. Stephenson, Mr. Morgan, or the Company's inability to hire and retain other qualified officers, directors and key employees, could have a material adverse effect on the Company's success, growth prospects, results of operations, and financial condition.

Dependence on Key Industries and Trends Toward Outsourcing

StarTek's current client base generally consists of companies engaged primarily in the computer software, computer hardware, Internet, E-commerce, technology, and telecommunications industries. The Company's business and growth is largely dependent on continued demand for its services from clients in these industries and industries targeted by the Company, and current trends in such industries to outsource various non-core functions which are offered on an outsourced basis by the Company. A general economic downturn in the computer industry or in other industries targeted by the Company, or a slowdown or reversal of the trend in these industries to outsource services provided by the Company could materially and adversely affect the Company's business, results of operations, growth prospects, and financial condition.

Risks Associated with the Company's Contracts

The Company typically enters into written agreements with each client for outsourced services, or performs services on a purchase order basis. Under substantially all of the Company's significant arrangements with its clients, including its principal client, the Company typically generates revenues based on the number and duration of customer inquiries, and volume, complexity, and type of components involved in its clients' products. Consequently, the amount of revenues generated from any particular client is generally dependent upon customers' purchase and use of StarTek's clients' products. There can be no assurance as to the number of customers who will be attracted to the products of the Company's clients or the Company's clients will continue to develop new products that will require the Company's services. Although the Company currently seeks to sign multi-year contracts with its clients, the Company's contracts generally: (i) permit termination upon relatively short notice by its clients; (ii) do not designate the Company as its clients' exclusive outsourcing service provider; (iii) do not penalize its clients for early termination, and; (iv) generally hold the Company responsible for work performed which does not meet certain pre-defined specifications. To the extent the Company works on a purchase order basis, agreements with its clients frequently do not provide for minimum purchase requirements, except in connection with certain of its technical support services. Substantially all of the Company's contracts require the Company, through its wholly owned subsidiaries and for certain of its facilities and services, to maintain ISO 9002 certification.

Highly Competitive Markets

The markets in which StarTek operates are highly competitive. Management expects competition to persist and intensify in the future. The Company's competitors include small firms offering specific applications, divisions of large companies, large independent firms and, most significantly, in-house operations of StarTek's existing and potential clients. A number of competitors have or may develop financial and other resources greater than those of the Company. Similarly, there can be no assurance additional competitors with greater name recognition and resources than the Company will not enter the markets in which the Company operates. In-house operations of the Company's existing and potential clients are significant competitors of the Company. As a result, StarTek's performance and growth could be materially and adversely affected if its clients decide to provide in-house services currently outsourced, or if potential clients retain or increase their in-house capabilities. Moreover, a decision by its principal client to consolidate its outsourced services with a company other than StarTek would materially and adversely affect the Company's business. Additionally, competitive pressures from current or future competitors could result in substantial price erosion, which could materially and adversely affect the Company's business, results of operations, and financial condition.

Risks of Business Interruptions

StarTek's operations depend on its ability to protect its facilities, clients' products, confidential client information, computer equipment, telecommunications equipment, and software systems against damage from Internet interruption, fire, power-loss, telecommunications interruption, E-commerce interruption, natural disaster, theft, unauthorized intrusion, computer viruses, other emergencies, and ability of its suppliers to deliver component parts quickly. While the Company maintains certain procedures and contingency plans to minimize the detrimental impact of such events, there can be no assurance such procedures and plans will be successful. In the event the Company experiences temporary or permanent interruptions or other emergencies at one or more of its facilities, the Company's business could be materially and adversely affected and the Company may be required to pay contractual damages to its clients, or allow its clients to terminate or renegotiate their arrangements with the Company. While the Company maintains property and business interruption insurance, such insurance may not adequately and/or timely compensate the Company for all losses it may incur. Further, some of the Company's operations, including telecommunication systems and telecommunication networks, and the Company's ability to timely and consistently access and use 24 hours per day, seven days per week, telephone, Internet, E-commerce, E-mail, facsimile connections, and other forms of communication are substantially dependent upon telephone companies, Internet service providers, T1 lines, etc. If such communications are interrupted on a short or long-term basis, the Company's services would be similarly interrupted and delayed.

Volatility of Stock Price

The market price of StarTek's common stock may be highly volatile and could be subject to wide fluctuations in response to quarterly variations in operating results, the success of the Company in implementing its business and growth strategies, announcements of new contracts or contract cancellations, announcements of technological innovations or new products and services by the Company or its competitors, changes in financial estimates by securities analysts, or other events or factors. Additionally, the stock market has experienced substantial price and volume fluctuations that have particularly affected the market prices of equity securities of many companies, and that have often been unrelated to the operating performance of such companies. These broad market fluctuations may adversely affect the market price of StarTek's common stock. Additionally, since approximately 29.8% of StarTek's outstanding common stock is currently available to the public for trading, any change in demand for such shares can be expected to substantially influence market prices of StarTek's outstanding common stock.

Risks related to Investment in and Note Receivable from Good Catalog Company, doing business as gifts.com

Through its wholly owned subsidiary Domain.com, Inc., the Company's investment in and note receivable from Good Catalog Company, doing business as gifts.com, of approximately $10.4 million, in the aggregate, involves a high degree of risk. The business of gifts.com is difficult to evaluate because it has a limited operating history under its current business model. Good Catalog Company was a wholly owned subsidiary of The Reader's Digest Association, Inc. Gifts.com's current management team and its current web site were both formed in late 1999. Accordingly, an investor in the Company's common stock must consider the challenges, risks, and uncertainties frequently encountered by early stage companies using new and unproven business models in new and rapidly evolving markets. These challenges influencing gifts.com's ability to substantially increase its revenues and thereby achieve profitability, include gifts.com's ability to: (i) execute on its business model; (ii) increase brand recognition; (iii) manage growth in its operations; (iv) cost-effectively attract and retain a high volume of online customers and build a critical mass of repeat customers at a reasonable cost; (v) effectively manage, control, and account for inventory; (vi) upgrade and enhance its web site, transaction-processing systems, order fulfillment capabilities, and inventory management systems; (vii) increase awareness of its online store; (viii) establish pricing to meet customer expectations; (ix) compete effectively in its market; (x) adapt to rapid regulatory and technological changes related to E-commerce and the Internet; and (xi) protect its trademarks, service marks, and copyrights. These and other uncertainties generally attributable to businesses engaging in E-commerce and the Internet must be considered when evaluating the Company's investment in and note receivable from Good Catalog Company, and the Company's participation in the business of gifts.com. An impairment of the Company's investment in and note receivable from Good Catalog Company could have an adverse effect on the Company's results of operations and financial condition.

Risks related to the Company's Internet web site operations

Through its wholly owned subsidiary Domain.com, Inc., the Company's Internet web site operations involve a high degree of risk. The businesses of airlines.com and wedding.com, for example, are difficult to evaluate because each are early stage and have a limited operating history. Accordingly, an investor in the Company's common stock must consider the challenges, risks, and uncertainties frequently encountered by early stage companies using new and unproven business models in new and rapidly evolving markets. These challenges influencing, for example, airlines.com's and wedding.com's ability to substantially increase revenues and thereby achieve profitability, include the ability to: (i) execute on business models; (ii) increase brand recognition; (iii) manage growth in operations; (iv) cost-effectively attract and retain a high volume of online customers and build a critical mass of repeat customers at a reasonable cost; (v) upgrade and enhance web sites, transaction-processing systems, and order fulfillment capabilities; (vi) increase awareness of online offerings; (vii) establish pricing to meet customer expectations; (viii) compete effectively; (ix) adapt to rapid regulatory and technological changes related to E-commerce and the Internet; and (x) protect trademarks, service marks, and copyrights. These and other uncertainties generally attributable to businesses engaging in E-commerce and the Internet must be considered when evaluating prospects of the Company's Internet web site operations.

Risks related to the Company's portfolio of Internet domain names

Through its wholly owned subsidiary Domain.com, Inc., the Company owns a portfolio of Internet domain names. The estimated fair market value of domain names owned by the Company is difficult to assess because the Company, to date, has had limited activity related to its Internet domain name portfolio. An investor in the Company's common stock must consider the challenges, risks, and uncertainties frequently encountered by early stage companies using new and unproven business models in new and rapidly evolving markets. These challenges influencing the Company's ability to benefit from its portfolio of Internet domain names include the Company's ability to: (i) execute on its business model; (ii) increase brand recognition of the Internet domain names within the Company's portfolio; and (iii) protect trademarks, service marks, and copyrights related to the domain names. These and other uncertainties generally attributable to businesses engaging in E-commerce and the Internet must be considered when evaluating the Company's portfolio of Internet domain names, and prospects of the Company's Internet web site operations anticipated to be developed from these domain names.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The following discusses the Company's exposure to market risk related to changes in interest rates and other general market risks, equity market prices and other general market risks, and foreign currency exchange rates. All of the Company's investment decisions are supervised or managed by its Chairman of the Board. On May 19, 1999 and as amended on August 19, 1999, the Company's Board of Directors approved the Company's current investment portfolio policy which provides for, among other things, investment objectives and investment portfolio allocation guidelines. This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors, including but not limited to, changes in interest rates and other general market risks, equity market prices and other general market risks, foreign currency exchange rates, and those set forth in the "Management's Discussion and Analysis of Financial Condition and Results of Operations"--"Factors That May Affect Future Results" appearing elsewhere in this Form 10-K. Also, see Note 1 and 3 to the consolidated financial statements set forth herein for a further discussion of the Company's cash, cash equivalents, and investments.

Interest Rate Sensitivity and Other General Market Risks

Cash and Cash Equivalents. As of December 31, 1999, the Company had $11.9 million in cash and cash equivalents, which was not restricted, and consisted of: (i) approximately $11.6 million invested in various money market funds, overnight investments, and various commercial paper securities at a combined weighted average interest rate of approximately 5.0%; and (ii) approximately $0.3 million in various non-interest bearing accounts. Management considers cash equivalents to be short-term, highly liquid investments readily convertible to known amounts of cash, and so near their maturity they present insignificant risk of changes in value because of changes in interest rates. The Company does not expect any material loss with respect to its cash and cash equivalents as a result of interest rate changes, and the estimated fair value of its cash and cash equivalents approximates original cost.

Investments Available for Sale. As of December 31, 1999, the Company had investments available for sale, which, in the aggregate, had an original cost and fair market value of $23.7 million and $22.8 million, respectively. These investments available for sale generally consisted of corporate bonds, foreign government bonds denominated in U.S. dollars, bond mutual funds, and various forms of equity securities. The Company's investment portfolio is subject to interest rate risk and will fall in value if interest rates increase.

Fair market value of and estimated cash flows from the Company's investments in corporate bonds are substantially dependent upon credit worthiness of certain corporations expected to repay their debts, including interest, as they become due, to the Company. If such corporations' financial condition and liquidity adversely changes, the Company's investments in their debts can be expected to be materially and adversely affected.

The Company's investments in foreign government bonds denominated in U.S. dollars entail special risks of global investing. These risks include, but are not limited to: (i) currency exchange fluctuations which could adversely affect the ability of foreign governments to repay their debts in U.S. dollars; (ii) foreign government regulations; and (iii) the potential for political and economic instability. Fair market value of such investments in foreign government bonds (denominated in U.S. dollars) can be expected to be more volatile than that of U.S. government bonds. These risks are intensified for the Company's investments in debt of foreign governments located in countries generally considered to be emerging markets.

The table below provides information about maturity dates and corresponding weighted average interest rates related to certain of the Company's investments available for sale as of December 31, 1999:

	WEIGHTED AVERAGE INTEREST RATES	EXPECTED MATURITY DATE --COST-- (DOLLARS IN THOUSANDS)							
		1 year	2 years	3 years	4 years	5 years	Thereafter	Total	FAIR VALUE
Corporate bonds	6.12%	$ 5,944	$ --	$ --	$ --	$ --	$ --	$ 5,944	$ 6,059
Foreign government bonds	6.25%	1,980	--	--	--	--	--	1,980	1,991
Corporate bonds	8.54%	--	3,987	--	--	--	--	3,987	3,975
Corporate bonds	7.26%	--	--	2,711	--	--	--	2,711	2,518
Corporate bonds	5.08%	--	--	--	--	1,830	--	1,830	1,484
Foreign government bonds	8.88%	--	--	--	--	--	1,438	1,438	1,582
Total	6.96%	$ 7,924	$ 3,987	$ 2,711	$ --	$ 1,830	$ 1,438	$17,890	$17,609

Management believes the Company currently has the ability to hold these investments until maturity, and therefore, if held to maturity, the Company would not expect the future proceeds from these investments to be affected, to any significant degree, by the effect of a sudden change in market interest rates. Declines in interest rates over time will, however, reduce the Company's interest income derived from future investments.

As of December 31, 1999 and as part of its investments available for sale portfolio, the Company was invested in: (i) various bond mutual funds which, in the aggregate, had an original cost and fair market value of approximately $2.0 million and $1.9 million, respectively; and (ii) equity securities which, in the aggregate, had an original cost and fair market value of approximately $3.8 million and $3.3 million, respectively.

Debt securities within bond mutual funds as of December 31, 1999: (i) had a weighted average yield of approximately 11.8%, and a weighted average maturity of approximately 3.4 years; (ii) are primarily invested in investment grade bonds of U.S. and foreign issuers denominated in U.S. and foreign currencies, and interests in floating or variable rate senior collateralized loans to corporations, partnerships, and other entities in a variety of industries and geographic regions; (iii) include certain foreign currency risk hedging instruments which are intended to reduce fair market value fluctuations; (iv) are subject to interest rate risk and will fall in value if market interest rates increase; and (v) are subject to the quality of the underlying securities within the mutual funds. The Company's investments in bond mutual funds entail special risks of global investing, including, but not limited to: (i) currency exchange fluctuations; (ii) foreign government regulations; and (iii) the potential for political and economic instability. The fair market value of the Company's investments in bond mutual funds can be expected to be more volatile than that of a U.S.-only fund. These risks are intensified for certain investments in debt of foreign governments (included in bond mutual funds) which are located in countries generally considered to be emerging markets. Additionally, certain of the bond mutual fund investments are also subject to the effect of leverage, which in a declining market can be expected to result in a greater decrease in fair market value than if such investments were not leveraged.

Outstanding Debt of the Company. As of December 31, 1999, the Company had outstanding debt of approximately $7.4 million, approximately $2.7 million of which bears interest at an annual fixed rate of 7.0%, and approximately $2.3 million of which bears no interest, as long as the Company complies with the terms of this debt arrangement. On October 22, 1999, the Company completed a $2.0 million equipment loan arrangement whereby the Company is expected to repay its debt at a variable rate of interest over a forty-eight month period. Management believes a hypothetical 10.0% increase in interest rates would not have a material adverse effect on the Company. Increases in interest rates could, however, increase interest expense associated with the Company's existing variable rate $2.0 million equipment loan and future borrowings by the Company, if any. For example, the Company may from time to time effect borrowings under its $5.0 million line of credit for general corporate purposes, including working capital requirements, capital expenditures and other purposes related to expansion of the Company's capacity. Borrowings under the $5.0 million line of credit bear interest at the lender's prime rate. As of December 31, 1999, the Company had no outstanding line of credit obligations. The Company has not hedged against interest rate changes.

Equity Price Risk and Other General Market Risks

Equity Securities. As of December 31, 1999, the Company held in its investments available for sale portfolio certain equity securities with original cost and fair market value, in the aggregate, of $3.8 million and $3.3 million, respectively. The Company's investments in equity securities consisted of real estate investment trusts, equity mutual funds, and publicly traded common stock of U.S. based companies. A substantial decline in the value of equity securities and equity prices in general would have a material adverse affect on the Company's equity investments. Also, the price of common stock held by the Company would be materially and adversely affected by poor management, shrinking product demand, and other risks that may affect single companies, as well as groups of companies. The Company has partially hedged against some equity price changes.

Trading Securities. As of December 31, 1999, the Company was invested in trading securities which, in the aggregate, had an original cost and fair market value of approximately $1.4 million and $1.2 million, respectively. Trading securities consisted primarily of publicly traded common stock of U.S. based companies and international equity mutual funds, together with certain hedging securities and various forms of derivative securities. Trading securities were held to meet short-term investment objectives. The Company entered into hedging and derivative securities in an effort to maximize its return on investments in trading securities while managing risk. As part of trading securities and as of December 31, 1999, the Company was invested in securities sold short related to a total of 24,421 shares of U.S. equity securities which, in the aggregate, had a basis and estimated fair market value of approximately $1.8 million and $2.2 million, respectively, all of which were reported net as components of trading securities. These securities sold short were used in conjunction with and were substantially offset by other trading securities, which taken together, represented a risk arbitrage portfolio in U.S. equity securities.

Management believes the risk of loss to the Company in the event of nonperformance by any party under these agreements is not substantial. Because of potential limited liquidity of some of these instruments, recorded values of these transactions may be different from values that might be realized if the Company were to sell or close out the transactions. Management believes such differences are not substantial to the Company's results of operations, financial condition, or liquidity. Hedging and derivative securities may involve elements of credit and market risk in excess of the amounts recognized in the accompanying consolidated financial statements. A substantial decline and/or change in value of equity securities, equity prices in general, international equity mutual funds, hedging securities, and derivative securities could have a material adverse effect on the Company's trading securities. Also, the price of common stock, hedging securities, and other derivative securities held by the Company as trading securities would be materially and adversely affected by poor management, shrinking product demand, and other risks that may affect single companies, as well as groups of companies.

Foreign Currency Exchange Risk

Approximately 17.3% of the Company's revenues in 1999 were derived from arrangements whereby the Company received payments from its clients in currencies other than U.S. dollars. Terms of the Company's agreements with its clients and its subcontracts are typically in U.S. dollars except for certain of its agreements related to its United Kingdom and Singapore operations. If an arrangement provides for the Company to receive payments in a foreign currency, revenues realized from such an arrangement may be less if the value of such foreign currency declines. Similarly, if an arrangement provides for the Company to make payments in a foreign currency, cost of services and operating expenses for such an arrangement may be more if the value of such foreign currency increases. For example, a 10% change in the relative value of such foreign currency could cause a related 10% change in the Company's previously expected revenues, cost of services, and operating expenses. If the international portion of the Company's business continues to grow, more revenues and expenses will be denominated in foreign currencies, and this will increase the Company's exposure to fluctuations in currency exchange rates. In the past, the Company has not hedged against foreign currency exchange rate changes related to its day to day operations in the United Kingdom and Singapore.

Certain of the Company's investments classified as bond mutual funds (discussed in further detail above as part of "Interest Rate Sensitivity and Other General Market Risks") include investments in various forms of currency risk hedging instruments which are intended to reduce fair market value fluctuations of such mutual funds.

ITEM 8. FINANCIAL STATEMENT AND SUPPLEMENTARY FINANCIAL DATA

Consolidated financial statements and supplementary data of the Company required by Item 8. are set forth herein at the pages indicated in Item 14(a).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEMS 10. THROUGH 13.

Information required by Item 10. (Directors and Executive Officers of the Registrant), Item 11. (Executive Compensation), Item 12. (Security Ownership of Certain Beneficial Owners and Management), and Item 13. (Certain Relationships and Related Transactions) will be included in StarTek's definitive proxy statement to be delivered in connection with its 2000 annual meeting of stockholders and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Document List

1. Financial Statements
   Response to this portion of Item 14. is submitted per the Index to Financial Statements, Supplementary Data, and Financial Statement Schedules on page 25 of this Form 10-K.

2. Supplementary Data and Financial Statement Schedules
   Response to this portion of Item 14. is submitted per the Index to Financial Statements, Supplementary Data, and Financial Statement Schedules on page 25 of this Form 10-K.

3. An Index of Exhibits is on pages 44 and 45 of this Form 10-K.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed by the Company during the three months ended December 31, 1999, except for:

Current Report on Form 8-K relating to the Company's October 20, 1999 announcement of Mr. Thomas O. Ryder's resignation from the Company's board of directors in connection with the formation of the gifts.com business by Good Catalog Company. Good Catalog company is 19.9% owned by StarTek and 80.1% owned by The Reader's Digest Association, Inc. Mr. Ryder is Chairman and Chief Executive Officer of The Reader's Digest Association, Inc. Gifts.com provides an Internet web site accessed through the URL www.gifts.com that sells gifts on-line.

STARTEK, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA AND FINANCIAL STATEMENT SCHEDULES

Note. All schedules have been included in the Consolidated Financial Statements or notes thereto.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
StarTek, Inc.

We have audited the accompanying consolidated balance sheets of StarTek, Inc. and subsidiaries (the "Company") as of December 31, 1999 and 1998, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of StarTek, Inc. and subsidiaries at December 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Denver, Colorado
February 11, 2000

STARTEK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

	DECEMBER 31 1998	DECEMBER 31 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,593	$ 11,943
Investments	16,829	23,907
Trade accounts receivable, less allowance for doubtful accounts of $441 and $775, respectively	20,476	21,792
Inventories	2,772	3,740
Deferred tax assets	1,135	2,363
Prepaid expenses and other assets	165	448
Total current assets	60,970	64,193
Property, plant and equipment, net	19,171	26,758
Investment in Good Catalog Company, at cost	--	2,606
Note receivable from Good Catalog Company	--	7,818
Other assets	60	60
Total assets	$ 80,201	$ 101,435
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 17,433	$ 16,148
Accrued liabilities	2,092	4,443
Income taxes payable	1,944	1,384
Current portion of capital lease obligations	46	32
Current portion of long-term debt	906	1,428
Other	213	544
Total current liabilities	22,634	23,979
Capital lease obligations, less current portion	77	42
Long-term debt, less current portion	3,196	5,922
Deferred income taxes	144	446
Other	17	--
Commitments and contingencies	--	--
Stockholders' equity:		
Common stock	138	140
Additional paid-in capital	41,661	45,681
Cumulative translation adjustment	167	25
Unrealized loss on investments available for sale	(606)	(596)
Retained earnings	12,773	25,796
Total stockholders' equity	54,133	71,046
Total liabilities and stockholders' equity	$ 80,201	$ 101,435

See notes to consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31		
	1997	1998	1999
Revenues	$ 89,150	$ 140,984	$ 205,227
Cost of services	71,986	115,079	166,880
Gross profit	17,164	25,905	38,347
Selling, general and administrative expenses	8,703	14,714	20,338
Management fee expense	3,126	--	--
Operating profit	5,335	11,191	18,009
Net interest income and other	933	2,254	2,814
Income before income taxes	6,268	13,445	20,823
Income tax expense	2,110	4,901	7,800
Net income	$ 4,158	$ 8,544	$ 13,023
Earnings per share:			
Basic		$ 0.62	$ 0.94
Diluted		$ 0.62	$ 0.92

See notes to consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

	YEAR ENDED DECEMBER 31		
	1997	1998	1999
OPERATING ACTIVITIES			
Net income	$ 4,158	$ 8,544	$ 13,023
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,829	2,852	4,715
Deferred income taxes	(153)	(577)	(884)
(Gain) loss on sale of assets	--	(106)	3
Changes in operating assets and liabilities:			
Purchases of trading securities, net	--	--	(1,146)
Trade accounts receivable, net	(1,487)	(7,958)	(1,316)
Inventories	(4)	(233)	(968)
Prepaid expenses and other assets	(65)	(17)	(283)
Accounts payable	2,425	8,046	(1,285)
Income taxes payable	106	1,838	1,094
Accrued and other liabilities	(661)	679	2,874
Net cash provided by operating activities	6,148	13,068	15,827
INVESTING ACTIVITIES			
Purchases of investments available for sale	(7,504)	(18,684)	(19,123)
Proceeds from disposition of investments available for sale	--	8,397	13,197
Purchases of property, plant and equipment	(3,191)	(14,108)	(12,593)
Proceeds from disposition of property, plant and equipment	--	181	2
Investment in Good Catalog Company, at cost	--	--	(2,606)
Note receivable from Good Catalog Company	--	--	(7,818)
Collections on notes receivable-stockholders	213	--	--
Net cash used in investing activities	(10,482)	(24,214)	(28,941)
FINANCING ACTIVITIES			
Stock options exercised	--	--	2,368
Principal payments on line of credit borrowings, net	(3,500)	--	--
Principal payments on borrowings	(1,854)	(62)	(1,057)
Proceeds from borrowings and capital lease obligations	1,500	3,729	4,331
Principal payments on capital lease obligations	(2,218)	(80)	(14)
Dividend to S corporation principal stockholders	(8,000)	--	--
Net proceeds from initial public offering of common stock	41,042	--	--
Contributed capital	1,641	--	--
Net cash provided by financing activities	28,611	3,587	5,628
Effect of exchange rate changes on cash	(59)	192	(164)
Net increase (decrease) in cash and cash equivalents	24,218	(7,367)	(7,650)
Cash and cash equivalents at beginning of year	2,742	26,960	19,593
Cash and cash equivalents at end of year	$ 26,960	$ 19,593	$ 11,943
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest	$ 368	$ 58	$ 332
Income taxes paid	$ 2,263	$ 3,640	$ 7,484
Property, plant and equipment acquired or refinanced under long-term debt	$ 261	$ 3,629	$ 2,031
Change in unrealized loss on investments available for sale, net of tax	$ 92	$ 514	$ (10)

See notes to consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(DOLLARS IN THOUSANDS)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	NOTE RECEIVABLE STOCKHOLDER	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL STOCKHOLDERS' EQUITY
Balance, December 31, 1996	43,200	$ 1	$ 6,148	$ (213)	$ 1,038	$ 129	$ 7,103
Payment of note receivable - stockholder	--	--	--	213	--	--	213
Contribution of StarTek Europe, Ltd.	(9,582)	--	--	--	--	--	--
Contributed capital	--	--	1,641	--	--	--	1,641
322.1064-for-one common stock split effected by stock dividend, immediately prior to closing of initial public offering	10,794,953	107	(107)	--	--	--	--
Dividend to principal stockholders	--	--	(7,033)	--	(967)	--	(8,000)
Issuance of common stock pursuant to initial public offering, net of stock issuance costs of $3,958	3,000,000	30	41,012	--	--	--	41,042
Net income	--	--	--	--	4,158	--	4,158
Cumulative translation adjustment	--	--	--	--	--	(59)	(59)
Unrealized loss on investments available for sale	--	--	--	--	--	(92)	(92)
Comprehensive income	--	--	--	--	--	--	4,007
Balance, December 31, 1997	13,828,571	138	41,661	--	4,229	(22)	46,006
Net income	--	--	--	--	8,544	--	8,544
Cumulative translation adjustment	--	--	--	--	--	97	97
Unrealized loss on investments available for sale	--	--	--	--	--	(514)	(514)
Comprehensive income	--	--	--	--	--	--	8,127
Balance, December 31, 1998	13,828,571	138	41,661	--	12,773	(439)	54,133
Stock options exercised	158,540	2	2,366	--	--	--	2,368
Income tax benefit from stock options exercised	--	--	1,654	--	--	--	1,654
Net income	--	--	--	--	13,023	--	13,023
Cumulative translation adjustment	--	--	--	--	--	(142)	(142)
Unrealized gain on investments available for sale	--	--	--	--	--	10	10
Comprehensive income	--	--	--	--	--	--	12,891
Balance, December 31, 1999	13,987,111	$ 140	$ 45,681	$ --	$ 25,796	$ (571)	$ 71,046

See notes to consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

StarTek, Inc.'s business was founded in 1987 and, through its wholly owned subsidiaries, has provided outsourced process management services since inception. On December 30, 1996, StarTek, Inc. (the "Company" or "StarTek") was incorporated in Delaware, and in June 1997 StarTek completed an initial public offering of its common stock. Prior to December 30, 1996, StarTek USA, Inc. and StarTek Europe, Ltd. conducted business as affiliates under common control. In 1998, the Company formed StarTek Pacific, Ltd., a Colorado corporation and Domain.com, Inc., a Delaware corporation, both of which are also wholly owned subsidiaries of the Company. StarTek, Inc. is a holding company for the businesses conducted by its wholly owned subsidiaries. The consolidated financial statements include accounts of all wholly owned subsidiaries after elimination of significant intercompany accounts and transactions.

Business Operations

StarTek has an established position as a global provider of process management services and owns and operates branded vertical market Internet web sites. The Company's process management services include E-commerce support and fulfillment, provisioning management for complex telecommunications systems, high-end inbound technical support, and a comprehensive offering of supply chain management services. As an outsourcer of process management services as its core business, StarTek allows its clients to focus on their primary business, reduce overhead, replace fixed costs with variable costs, and reduce working capital needs. The Company has continuously expanded its process management business and facilities to offer additional outsourcing services in response to growing needs of its clients and to capitalize on market opportunities, both domestically and internationally. The Company has process management operations in North America, Europe, and Asia.

StarTek owns a portfolio of branded vertical market Internet web sites and operates certain sites, including airlines.com and wedding.com. In September 1999, StarTek and The Reader's Digest Association, Inc. entered into certain arrangements whereby StarTek obtained a 19.9% ownership interest in Good Catalog Company, doing business as gifts.com. Gifts.com provides an Internet web site accessed through the URL www.gifts.com that sells gifts on-line. StarTek expects to combine its process management service platforms with certain Internet web site businesses arising from a portfolio of Internet domain names to establish a solid position in the Internet connected world. The Company's investment in Good Catalog Company is carried at cost because the Company does not exercise significant influence over financial or operating policies of such company

Capital Stock

Immediately prior to the closing of the Company's initial public offering in June 1997, the Company declared a 322.1064-for-one stock split of the Company's common stock. All references in the notes to the consolidated financial statements to shares, related prices in per share calculations, per share amounts, and stock option plan information have been restated to reflect the split.

Foreign Currency Translation

Assets and liabilities of the Company's foreign operations are translated into U.S. dollars at current exchange rates. Revenues and expenses are translated at average monthly exchange rates. Resulting translation adjustments, net of applicable deferred income taxes (1997 tax benefit of $42, 1998 tax of $53, and 1999 tax of $15), are reported as a separate component of stockholders' equity. Foreign currency transaction gains and losses are included in determining net income. Such gains and losses were not material for any period presented.

Comprehensive Income

Financial Accounting Standards Board Statement No. 130, "Reporting Comprehensive Income", establishes rules for the reporting and display of comprehensive income. Comprehensive income is defined essentially as all changes in stockholders' equity, exclusive of transactions with owners. Comprehensive income was $4,007, $8,127, and $12,891 for 1997, 1998, and 1999, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Company's management to make estimates and assumptions that affect amounts reported in the Company's consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications of the 1997 and 1998 consolidated financial statements and related notes have been made to conform to the 1999 presentation.

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenues are recognized as services are completed.

Training

Training costs pertaining to start-up and ongoing projects are expensed during the year incurred.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable, notes receivable, debt, and capital lease obligations. Carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value. Investments are reported at fair value. Management believes differences between fair values and carrying values of notes receivable, debt, and capital lease obligations would not be materially different because interest rates approximate market rates for material items.

Cash and Cash Equivalents

The Company considers cash equivalents to be short-term, highly liquid investments readily convertible to known amounts of cash and so near their maturity they present insignificant risk of changes in value because of changes in interest rates.

Investments

Investments available for sale consist of debt and equity securities reported at fair value, with unrealized gains and losses, net of tax (tax benefits of $56, $356, and $360 for 1997, 1998, and 1999, respectively) reported as a separate component of stockholders' equity. There have been no unrealized gains and losses or declines in value judged to be other than temporary on investments available for sale. Original cost of investments available for sale, which are sold, is based on the specific identification method. Interest income from investments available for sale is included in net interest income and other. Trading securities are carried at fair market values. Fair market values are determined by the most recently traded price of the security as of the balance sheet date. Gross unrealized gains and losses from trading securities are reflected in income currently and as part of net interest income and other.

Derivative Instruments and Hedging Activities

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, ("SFAS No. 133") "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 establishes accounting and reporting standards requiring every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at fair value. SFAS No. 133 requires changes in the derivative's fair value be recognized currently in income unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allow a derivative's gains and losses to offset related results on the hedged item in the statement of operations, and requires a company to formally document, designate, and assess effectiveness of transactions that receive hedge accounting treatment. SFAS No. 133 is effective for the Company's fiscal quarters of fiscal years beginning after June 15, 2000. The Company has not yet quantified the impacts of adopting SFAS No. 133 on its consolidated financial statements and has not determined timing or method of adoption of SFAS No. 133.

Inventories

Inventories are valued at average costs that approximate actual costs computed on a first-in, first-out basis, not in excess of market value.

Investment in Good Catalog Company, at cost

Equity investments of less than 20% in non-publicly traded companies are carried at cost. Changes in value of these investments are not recognized unless impairment in value is deemed to be other than temporary.

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment

Property, plant, and equipment are stated at cost. Additions, improvements, and major renewals are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. Depreciation and amortization is computed using the straight-line method based on:

	Estimated Useful Lives
Buildings and improvements	7 to 30.5 years
Equipment	3 to 5 years
Furniture and fixtures	7 years

Income Taxes

Effective July 1, 1992, StarTek USA, Inc. elected Subchapter S status for income tax purposes, and StarTek Europe, Ltd. elected Subchapter S status at inception. On June 17, 1997, Subchapter S status was terminated and the Company has thereafter been taxable as a C corporation. During the Subchapter S status period, income and expenses of the Company were reportable on tax returns of stockholders and no provision was made for federal, state, and foreign income taxes.

Subsequent to termination of the Company's Subchapter S status, the Company began accounting for income taxes using the liability method of accounting for income taxes as prescribed by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". Deferred income taxes reflect net effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. The Company is subject to foreign income taxes on its foreign operations.

Management Fee Expense

Prior to the Company's June 24, 1997 initial public offering, and in addition to general compensation for services rendered, certain S corporation stockholders and an affiliate were paid certain management fees, bonuses, and other fees in connection with services rendered to the Company, which were not included in selling, general and administrative expenses. These management fees have been reflected as management fee expense as set forth below. Effective with the closing of the Company's June 24, 1997 initial public offering, these management fees, bonuses, and other fees were discontinued.

After the closing of the June 24, 1997 initial public offering, all compensation payable to persons who are now stockholders of the Company (or an affiliate of such stockholder) are in the form of advisory fees, salaries and bonuses (which at current rates aggregate approximately $516 annually) and are included in selling, general and administrative expenses. These advisory fees and salaries were:

	YEAR ENDED DECEMBER 31		
	1997	1998	1999
Selling, general and administrative expenses	$ 512	$ 516	$ 516
Management fee expense	$ 3,126	--	--

2. EARNINGS PER SHARE

Basic earnings per share is computed on the basis of weighted average number of common shares outstanding. Diluted earnings per share is computed on the basis of weighted average number of common shares outstanding plus effects of outstanding stock options using the "treasury stock" method. Components of basic and diluted earnings per share were:

	DECEMBER 31		
	1997	1998	1999
Net income (A)	$ 4,158	$ 8,544	$ 13,023
Weighted average shares of common stock (B)	12,652,680	13,828,571	13,874,556
Dilutive effect of stock options	--	--	264,593
Common stock and common stock equivalents (C)	12,652,680	13,828,571	14,139,149
Earnings per share:			
Basic (A/B)	$ 0.33	$ 0.62	$ 0.94

Diluted (A/C)	$ 0.33	$ 0.62	$ 0.92

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

3. INVESTMENTS

As of December 31, 1998, investments available for sale consisted of:

	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Corporate bonds	$ 8,987	$ 80	$ (239)	$ 8,828
Foreign government bonds	2,915	150	(308)	2,757
Bond mutual funds	4,005	1	(132)	3,874
Other debt securities	286	--	(138)	148
Equity securities	1,598	--	(376)	1,222
Total	$ 17,791	$ 231	$ (1,193)	$ 16,829

As of December 31, 1999, investments available for sale consisted of:

	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Corporate bonds	$ 14,472	$ 141	$ (577)	$ 14,036
Foreign government bonds	3,418	155	--	3,573
Bond mutual funds	1,992	--	(142)	1,850
Equity securities	3,835	184	(717)	3,302
Total	$ 23,717	$ 480	$ (1,436)	$ 22,761

As of December 31, 1999, amortized costs and estimated fair values of investments available for sale by contractual maturity were:

	COST	ESTIMATED FAIR VALUE
Corporate bonds and foreign government bonds maturing within:		
One year	$ 7,924	$ 8,050
Two to five years	8,528	7,977
Due after five years	1,438	1,582
	17,890	17,609
Bond mutual funds	1,992	1,850
Equity securities	3,835	3,302
Total	$ 23,717	$ 22,761

Bond mutual funds were primarily invested in investment grade bonds of U.S. and foreign issuers denominated in U.S. and foreign currencies, and interests in floating or variable rate senior collateralized loans to corporations, partnerships, and other entities in a variety of industries and geographic regions. Equity securities consisted of real estate investment trusts, equity mutual funds, and publicly traded common stock of U.S. based companies.

As of December 31, 1999, the Company was also invested in trading securities which, in the aggregate, had an original cost and fair market value of approximately $1,429 and $1,146, respectively. Trading securities consisted primarily of publicly traded common stock of U.S. based companies and international equity mutual funds, together with certain hedging securities and various forms of derivative securities. Trading securities were held to meet short-term investment objectives. The Company entered into hedging and derivative securities in an effort to maximize its return on investments in trading securities while managing risk. As part of trading securities and as of December 31, 1999, the Company was invested in securities sold short related to a total of 24,421 shares of U.S. equity securities which, in the aggregate, had a basis and estimated fair market value of approximately $1,845 and $2,160, respectively, all of which were reported net as components of trading securities. These securities sold short were used in conjunction with and were substantially offset by other trading securities, which taken together, represented a risk-arbitrage portfolio in U.S. equity securities.

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

3. INVESTMENTS (CONTINUED)

Risk of loss to the Company in the event of nonperformance by any party under these agreements is not considered substantial. Because of potential limited liquidity of some of these instruments, recorded values of these transactions may be different from values that might be realized if the Company were to sell or close out the transactions. Such differences are not considered substantial to the Company's results of operations, financial condition, or liquidity. Hedging and derivative securities may involve elements of credit and market risk in excess of the amounts recognized in the accompanying consolidated financial statements. A substantial decline and/or change in value of equity securities, equity prices in general, international equity mutual funds, hedging securities, and derivative securities could have a material adverse effect on the Company's trading securities. Also, the price of common stock, hedging securities, and other derivative securities held by the Company as trading securities would be materially and adversely affected by poor management, shrinking product demand, and other risks that may affect single companies, as well as groups of companies.

4. INVENTORIES

The Company frequently purchases components of its clients' products as an integral part of its process management services. At the close of an accounting period, packaged and assembled products (together with other associated costs) are reflected as finished goods inventories pending shipment. The Company generally has the right to be reimbursed from its clients for unused inventories. Client-owned inventories are not reflected in the Company's balance sheet. Inventories consisted of:

	DECEMBER 31	
	1998	1999
Purchased components and fabricated assemblies	$ 2,313	$ 1,986
Finished goods	459	1,754
	$ 2,772	$ 3,740

5. INVESTMENT IN AND NOTE RECEIVABLE FROM GOOD CATALOG COMPANY

Effective September 15, 1999, the Company, through its wholly owned subsidiary Domain.com, Inc. ("Domain.com"), entered into a contribution agreement (the "Contribution Agreement") and stockholders agreement with The Reader's Digest Association, Inc. ("Reader's Digest") and Good Catalog Company, previously a wholly owned subsidiary of Reader's Digest. On November 8, 1999, pursuant to the Contribution Agreement, Domain.com purchased 19.9% of the outstanding common stock of Good Catalog Company for approximately $2,606 in cash. Reader's Digest owns the remaining 80.1% of the outstanding common stock of Good Catalog Company. The Contribution Agreement provides for: (i) an assignment from Domain.com to Good Catalog Company of Domain.com's right, title, and interest in and to the URL www.gifts.com; and (ii) an undertaking by Good Catalog Company to effect a change in its name to Gifts.com, Inc. Domain.com has the right to designate at least one member of Good Catalog Company's board of directors, which will consist of at least five directors. Effective November 1, 1999, Domain.com, Reader's Digest, and Good Catalog Company entered into a loan agreement pursuant to which Domain.com advanced an unsecured loan of $7,818 and Reader's Digest advanced an unsecured loan of $18,433 to Good Catalog Company (the "Loans"). The Loans mature November 1, 2002, bear interest at a rate equal to a three month LIBO rate plus 2.0% per annum (approximately 8.0% as of December 31, 1999), and interest is payable quarterly. Currently, Good Catalog Company, doing business as gifts.com, provides an Internet web site accessed through the URL www.gifts.com that sells gifts on-line. The Company agreed to perform certain fulfillment services for Good Catalog Company in connection with certain products and services to be sold in connection with gifts.com. During 1999 and included in the accompanying 1999 consolidated statement of operations, the Company recognized approximately $1,100 of revenues related to fulfillment services performed by the Company for Good Catalog Company, and approximately $89 of interest income related to Good Catalog Company's $7,818 debt to Domain.com. Included in trade accounts receivable in the accompanying consolidated balance sheet as of December 31, 1999, was approximately $622 due from Good Catalog Company to the Company in connection with the Company's provision of fulfillment services to Good Catalog Company during 1999.

Management has evaluated its investment in and note receivable from Good Catalog Company for recoverability. Management reviewed certain financial data and held discussions with Good Catalog Company management. As of December 31, 1999, management believes its investment in and note receivable from Good Catalog are recoverable and no impairment loss provision is necessary. Should available information in the future indicate a material impairment in carrying values of the Company's investment in and note receivable from Good Catalog Company, an adjustment would be recorded.

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

6. PROPERTY, PLANT AND EQUIPMENT

	DECEMBER 31	
	1998	1999
Land	$ 1,129	$ 2,179
Buildings and improvements	9,656	14,079
Equipment	14,785	20,333
Furniture and fixtures	1,445	2,219
	27,015	38,810
Less accumulated depreciation and amortization	(7,844)	(12,052)
Property, plant and equipment, net	$ 19,171	$ 26,758

Management decided to dispose of a 10,500 square-foot facility and related land in Greeley, Colorado, and is actively searching for a buyer. Process management service operations at this facility ceased in December 1999. As of December 31, 1999, management believes carrying values of this facility and related land, which, in the aggregate, total approximately $198, are recoverable and no impairment loss provision is necessary. Should available information in the future indicate a material impairment in carrying values of this facility and related land, an adjustment would be recorded.

Certain process management services previously provided from the Company's Denver facility were completely transferred to other facilities by January 31, 2000. Currently, a relatively small portion of the Denver facility provides for certain executive, corporate, and information technology functions, while management evaluates possible operating activities which could be located in this facility. As of December 31, 1999, management believes carrying values of this facility and related land are recoverable and no impairment loss provision is necessary. Should available information in the future indicate a material impairment in carrying values of this facility and related land, an adjustment would be recorded.

7. LINE OF CREDIT

As of December 31, 1998 and 1999, the Company had a revolving line of credit agreement with a bank whereby the bank agreed to loan the Company up to $5,000. No amount was outstanding under the line of credit as of December 31, 1998 and 1999. Interest is payable monthly and accrues at the prime rate of the bank (8.5% as of December 31, 1999). This revolving line of credit matures on April 30, 2001.

The Company has pledged as security certain of its wholly owned subsidiaries' accounts receivable under the revolving line of credit agreement. The Company must maintain working capital of $17,500 and tangible net worth of $25,000. The Company may not pay dividends in an amount which would cause a failure to meet these financial covenants. As of and for the year ended December 31, 1999, the Company was in compliance with the various financial and other covenants provided for under the line of credit.

8. LEASES

Amortization of equipment held under capital lease obligations is included in depreciation and amortization expense. Included in property, plant, and equipment in the accompanying consolidated balance sheets was the following equipment held under capital leases:

	DECEMBER 31	
	1998	1999
Equipment	$ 261	$ 162
Less accumulated amortization	(233)	(100)
	$ 28	$ 62

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

8. LEASES (CONTINUED)

The Company also leases equipment under various non-cancelable operating leases. As of December 31, 1999, future minimum rental commitments for capital and operating leases were:

	CAPITAL LEASES	OPERATING LEASES
2000	$ 42	$ 541
2001	41	448
2002	--	449
2003	--	292
2004	--	136
Thereafter	--	12
Total minimum lease payments	$ 83	$ 1,878
Less amount representing interest	(9)	
Present value of minimum lease payments	74	
Less current portion of obligations under capital leases	(32)	
Obligations under capital leases, less current portion	$ 42	

Rent expense, including equipment rentals, for 1997, 1998, and 1999 was $271, $410, and $1,054, respectively.

On November 1, 1999, the Company entered into a lease agreement for 30,000 square feet of building space in Big Spring, Texas. The facility is principally used for a call center supporting Internet and telecommunications clients, and for general office use and other services offered by the Company. The term of the lease agreement commenced on November 1, 1999 and unless earlier terminated or extended, continues until November 1, 2014. Pursuant to the terms of the lease agreement, the Company was granted, among other things: (i) a right to terminate the lease agreement in the fifth or tenth year. Assuming the lease agreement is not terminated after the end of the fifth or tenth year, total minimum rental commitments, in the aggregate, excluding certain taxes and utilities as defined, are approximately $903, and are payable on a monthly basis from November 1999 through November 2014. Pursuant to an incentive agreement and through the tenth year of the lease agreement, the Company shall be reimbursed for the actual amount of its lease payments.

9. TENNESSEE FINANCING AGREEMENT

On July 8, 1998, the Company entered into certain financing agreements with the Industrial Development Board of the County of Montgomery, Tennessee, (the "Board") in connection with the Board's issuance to StarTek USA, Inc. of an Industrial Development Revenue Note, Series A not to exceed $4,500 (the "Facility Note") and an Industrial Development Revenue Note, Series B not to exceed $3,500 (the "Equipment Loan"). The Facility Note bears interest at 9% per annum commencing on October 1, 1998, payable quarterly and maturing on July 8, 2008. Concurrently, the Company advanced $3,575 in exchange for the Facility Note and entered into a lease agreement, maturing July 8, 2008, with the Board for the use and acquisition of a 305,000 square-foot process management and distribution facility in Clarksville, Tennessee (the "Facility Lease"). The Facility Lease provides for the Company to pay to the Board lease payments sufficient to pay, when and as due, the principal of and interest on the Facility Note due to the Company from the Board. Pursuant to the provisions of the Facility Lease and upon the Company's payment of the Facility Lease in full, the Company shall have the option to purchase the 305,000 square-foot, Clarksville, Tennessee facility for a lump sum payment of one hundred dollars. The Equipment Loan bears interest at 9% per annum, generally contains the same provisions as the Facility Note, and provides for an equipment lease, except the Equipment Loan and equipment lease mature on January 1, 2004. As of December 31, 1999, the Company had used approximately $4,012 and $1,745 of the Facility Note and Equipment Loan, respectively, and correspondingly entered into further lease arrangements with the Board.

All transactions related to the purchase of the notes by the Company from the Board and the lease arrangements from the Board to the Company have been offset against each other, and accordingly have no impact on the consolidated balance sheets. The assets acquired are included in property, plant and equipment. Similarly, the interest income and interest expense related to the notes and lease arrangements, respectively, have also been offset. The lease payments are equal to the amount of principal and interest payments on the notes, and accordingly have no impact on the consolidated statements of operations.

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

10. LONG-TERM DEBT

	DECEMBER 31	
	1998	1999
Equipment loan	3,564	2,744
Equipment loan	--	1,957
Promissory note with incentive provisions	--	2,300
Other debt obligations	538	349
	4,102	7,350
Less current portion of long-term debt	(906)	(1,428)
Long-term debt, less current portion	$ 3,196	$ 5,922

On October 26, 1998, the Company, through its wholly owned subsidiary StarTek USA, Inc., entered into an equipment loan agreement with a finance company maturing November 2, 2002. In connection with the equipment loan, the Company received cash of $3,629 in exchange for providing, among other things, certain collateral which generally consisted of equipment, furniture, and fixtures used in the Company's business. The equipment loan provides for interest at a fixed annual interest rate of 7.0% and for the Company to pay forty-eight equal monthly installments, which, in the aggregate, totaled approximately $4,176 at inception of the equipment loan. In addition to the collateral described above, the Company granted to the finance company a secondary security interest in certain of its wholly owned subsidiaries' accounts receivable. During the years ended December 31, 1998 and 1999, interest expense incurred on the equipment loan was $21 and $224, respectively.

On October 22, 1999, the Company, through its wholly owned subsidiary StarTek USA, Inc., completed an equipment loan arrangement with a finance company maturing October 22, 2003. In connection with the equipment loan, the Company received cash of $2,031 in exchange for providing, among other things, certain collateral which generally consisted of computer hardware and software, various forms of telecommunications equipment, and furniture and fixtures whose estimated cost was equal to the principal amount of the equipment loan. The equipment loan arrangement provides for interest at the prime rate minus 1.60% (6.9% on December 31, 1999), and forty-eight consecutive monthly payments. StarTek USA, Inc. is required, from time to time, to maintain certain operating ratios. During the year ended December 31, 1999, interest expense incurred on the equipment loan was $22. As of December 31, 1999, StarTek USA, Inc. was in compliance with these financial covenants.

In November 1999, the Company received $2,300 in cash in connection with its Big Spring, Texas operations through a non-interest bearing fifteen-year promissory note with incentive provisions. The principal balance of the promissory note declines without payment over fifteen years based on the level of employment at the Company's Big Spring, Texas facility during the term of the promissory note.

The Company has other debt obligations totaling $349 as of December 31, 1999 with interest up to 6.0% annually and maturing through 2007.

Future scheduled annual principal payments on long-term debt, including amounts related to the promissory note with waiver provisions and the promissory note with incentive provisions, as of December 31, 1999 were:

2000	$ 1,428
2001	1,708
2002	1,643
2003	659
2004	190
Thereafter	1,722
	$ 7,350

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

11. INCOME TAXES

The Company was taxed as an S corporation for federal and state income tax purposes from July 1, 1992 through June 17, 1997, when S corporation status was terminated in contemplation of the Company's initial public offering. Since June 18, 1997, the Company has been taxable as a C corporation and income taxes have been accrued since that date. The Company is subject to foreign income taxes on certain of its operations. Pretax income from the taxable period June 18, 1997, through December 31, 1997 was $6,818, of which $6,143 and $675 were attributable to domestic and foreign operations, respectively. Significant components of the provision for income taxes for the years ended December 31, 1997, 1998, and 1999 were:

	1997	1998	1999
Current:			
Federal	$ 2,211	$ 5,311	$ 7,054
Foreign	9	123	864
State	99	249	762
Total current	2,319	5,683	8,680
Deferred:			
Federal	(181)	(678)	(765)
State	(28)	(104)	(115)
Total deferred	(209)	(782)	(880)
Income tax expense	$ 2,110	$ 4,901	$ 7,800

Income tax benefits associated with disqualifying dispositions of incentive stock options during 1999 reduced income taxes payable as of December 31, 1999 by $1,654. Such benefits were recorded as an increase to additional paid-in capital.

Significant components of deferred tax assets, which required no valuation allowance, and deferred tax liabilities included in the accompanying balance sheets as of December 31 were:

	1998	1999
Deferred tax assets:		
Bad debt allowance	$ 161	$ 347
Vacation accrual	233	433
Deferred revenue	88	311
Accrued expenses	192	668
Unrealized loss on investments available for sale	356	360
Other	105	244
Total deferred tax assets	1,135	2,363
Long-term deferred tax liabilities:		
Tax depreciation in excess of book	(49)	(422)
Other	(95)	(24)
Total long-term deferred tax liabilities	(144)	(446)
Net deferred tax assets	$ 991	$ 1,917

Differences between U.S. federal statutory income tax rates and the Company's effective tax rates for the years ended December 31, 1997, 1998, and 1999 were:

	1997	1998	1999
Tax at U.S. statutory rates	34.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	3.3	3.2	3.1
One-time credit to record deferred tax asset upon termination of S corporation status	(4.4)	--	--
Other, net	(2.0)	(1.7)	(0.6)
	30.9%	36.5%	37.5%

12. NET INTEREST INCOME AND OTHER

	YEAR ENDED DECEMBER 31		
	1997	1998	1999
Interest income	$ 1,229	$ 2,122	$ 2,741
Interest expense	(373)	(58)	(332)
Other income and expense	77	190	405
Net interest income and other	$ 933	$ 2,254	$ 2,814

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

13. STOCKHOLDERS' EQUITY

Immediately prior to closing of the Company's initial public offering in June 1997, the Company declared a 322.1064-for-one stock split of the Company's common stock. All references in notes to consolidated financial statements to shares and related prices in per share calculations, per share amounts, and stock option plan information have been restated to reflect the split.

Immediately prior to closing the initial public offering, the Company also declared an $8,000 dividend approximating additional paid-in capital and retained earning of the Company as of the closing date, payable to principal stockholders pursuant to certain promissory notes. Promissory notes payable to principal stockholders were paid from net proceeds of the Company's initial public offering. As of December 31, 1998, common stock and additional paid-in capital consisted of:

Preferred stock-undesignated; 15,000,000 shares, $.01 par value, authorized; no shares outstanding	$	--
Common stock; 95,000,000 shares, $.01 par value, authorized; 13,828,571 shares outstanding		138
Additional paid-in capital		41,661
	$	41,799

At the Company's May 19, 1999 annual meeting of stockholders, a proposal to amend the Company's Certificate of Incorporation to reduce the number of shares of common stock the Company has the authority to issue from 95,000,000 shares to 18,000,000 shares and eliminate the authorization of preferred stock was approved by an affirmative vote of holders of a majority of the shares of common stock outstanding. As of December 31, 1999, common stock and additional paid-in capital consisted of:

Common stock; 18,000,000 shares, $.01 par value, authorized; 13,987,111 shares outstanding	$ 140
Additional paid-in capital	45,681
	$ 45,821

14. STOCK OPTIONS

1987 Stock Option Plan

Effective July 24, 1987, the stockholders of StarTek USA, Inc. approved a Stock Option Plan ("Plan"), which provided for the grant of stock options, stock appreciation rights ("SARs") and supplemental bonuses to key employees. Stock options were intended to qualify as "incentive stock options" as defined in Section 422A of the Internal Revenue Code unless specifically designated as "nonstatutory stock options."

Options granted under the Plan could be exercised for a period of not more than 10 years and one month from date of grant, or any shorter period as determined by StarTek USA, Inc.'s Board of Directors. The option price of any incentive stock option would be equal to or exceed the fair market value per share on date of grant, or 110% of fair market value per share in case of a 10% or greater stockholder. Options generally vested ratably over a five-year period from date of grant. Unexercised, vested options remained exercisable for three calendar months from date of termination of employment.

During 1995, StarTek USA, Inc.'s Board of Directors accelerated the vesting on all outstanding options under the Plan to allow holders to exercise any granted options. Subsequently, all outstanding options were exercised. In the aggregate, option holders paid $18 in cash and delivered a note of $213 bearing interest at 4.63% to StarTek USA, Inc. in exchange for shares of common stock. This note was secured by 288,607 shares of StarTek USA, Inc. common stock. On January 22, 1997, the note and all accrued interest thereon were repaid in full. Options for 2,124,936 shares of common stock were available for grant at the end of 1996.

The Plan was terminated effective January 24, 1997.

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

14. STOCK OPTIONS (CONTINUED)

1997 Stock Option Plan

On February 13, 1997, the Company's Board of Directors approved the StarTek, Inc. Stock Option Plan (the "Option Plan") and, on January 27, 1997, the Director Stock Option Plan (the "Director Option Plan").

The Option Plan was established to provide stock options, SARs and incentive stock options (cumulatively referred to as "Options") to key employees, directors (other than non-employee directors), consultants, and other independent contractors. The Option Plan provides for Options to be granted for a maximum of 985,000 shares of common stock, which are to be awarded by determination of committee of non-employee directors. Unless otherwise determined by the committee, all Options granted under the Option Plan vest 20% annually beginning on the first anniversary of the Options' grant date and expire at the earlier of: (i) ten years (or five years for participants owning greater than 10% of the voting stock) from the Options' grant date; (ii) three months after termination of employment; (iii) six months after the participant's death; or (iv) immediately upon termination for "cause".

The Director Option Plan was established to provide stock options to non-employee directors who are elected to serve on the Company's board of directors and serve continuously from commencement of their term (the "Participants"). The Director Option Plan provides for stock options to be granted for a maximum of 90,000 shares of common stock. Participants were automatically granted options to acquire 10,000 shares of common stock upon the closing of the Company's June 1997 initial public offering. Additionally, each Participant will be automatically granted options to acquire 3,000 shares of common stock on the date of each annual meeting of stockholders thereafter at which such Participant is reelected to serve on the Company's board of directors. All options granted under the Director Option Plan fully vest upon grant and expire at the earlier of: (i) date of Participant's membership on the Company's board of directors is terminated for cause; (ii) ten years from option grant date; or (iii) one year after Participant's death. Stock option activity during 1997, 1998, and 1999 consisted of:

	1997	1998	1999
Outstanding as of beginning of year	--	611,500	613,800
Granted	618,500	36,200	194,550
Exercised	--	--	(158,540)
Canceled	(7,000)	(33,900)	(44,100)
Outstanding as of end of year	611,500	613,800	605,710
Exercisable as of end of year	20,000	140,200	107,820

As of December 31, 1997, the exercise price for options outstanding, each of which is exercisable on a basis of one option for one share of the Company's common stock, was $15.00, except for 8,000 options exercisable at $13.06 per share. As of December 31, 1998, the exercise price per share for options outstanding was $15.00 for 583,000 options, $13.06 for 8,000 options, $12.69 for 6,000 options, $12.25 for 7,600 options, and $10.38 for 9,200 options. As of December 31, 1999, the exercise price for options outstanding was $50.06 for 300 options, $42.75 for 89,650 options, $38.63 for 10,000 options, $32.81 for 22,700 options, $31.00 for 6,600 options, $18.50 for 47,200 options, $15.00 for 406,300 options, $13.06 for 2,000 options, $12.69 for 6,000 options, $12.25 for 7,600 options, and $10.38 for 7,360 options. As of December 31, 1999, there were 10,000 fully vested options exercisable at $38.63 per share, 6,000 fully vested options exercisable at $18.50 per share, 83,500 fully vested options exercisable at $15.00 per share, 800 fully vested options exercisable at $13.06 per share, 6,000 fully vested options exercisable at $12.69 per share, and 1,520 fully vested options exercisable at $12.25 per share. Options for 262,750 and 48,000 shares of the Company's common stock were available for future grant as of December 31, 1999 under the Option Plan and Director Option Plan, respectively.

The Company elected to follow Accounting Principles Board Opinion No. 25, ("APB 25") "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock options. Under APB 25, because the exercise price of the Company's stock options equals the market price of the underlying stock on date of grant, no compensation expense has been recognized. Pro forma information regarding net income and net income per share is required by Statement of Financial Accounting Standards No. 123, (SFAS 123") "Accounting For Stock Based Compensation", and has been determined as if the Company had accounted for its stock options under the fair value method as provided for by SFAS 123.

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

14. STOCK OPTIONS (CONTINUED)

Fair value of options granted during 1997 was estimated as of date of grant using a Black-Scholes option pricing model and assuming a 6.0% risk free rate, a seven year life, a 30.0% expected volatility, and no dividends. Fair value of options granted during 1998 was estimated as of date of grant using a Black-Scholes option pricing model and assuming a 5.5% risk-free interest rate, a seven year life, a 55.1% expected volatility, and no dividends. Fair value of options granted during 1999 was estimated as of date of grant using a Black-Scholes option pricing model assuming a range of 6.0% to 6.3% for the risk-free rate, a seven year life, a 72.1% expected volatility, and no dividends. Weighted average grant date fair market value of options granted during 1997, 1998, and 1999 was approximately $7.00 per share, $7.00 per share, and $24.24 per share, respectively. Had this method been used in the determination of pro forma net income for 1997, pro forma net income would have decreased by $367 and pro forma basic and diluted earnings per share would have decreased by $0.03. Had this method been used in the determination of net income for 1998, net income would have decreased by $559 and basic and diluted earnings per share would have decreased by $0.04. Similarly, had this method been used in the determination of net income for 1999, net income would have decreased by $848 and basic and diluted earnings per share would have decreased by $0.06.

The Black-Scholes option valuation model was developed for use in estimating fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require input of highly subjective assumptions, including expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in subjective input assumptions can materially affect fair value estimates, in management's opinion, the existing models do not necessarily provide a reliable single measure of fair value of the Company's stock options.

15. GEOGRAPHIC AREA INFORMATION

The Company, operating in a single industry segment, provides a variety of integrated, outsourcing services to other businesses throughout the world. As of and for the year ended December 31, 1997, the Company's operations in Asia were not material and are included with North America in the following table. As of December 31, 1997, 1998 and 1999 the Company's long-lived assets located in Europe and Asia were not material and are included with North America in the following table. The Company's North America operations are located in the United States of America. The Company's Europe operations are located in the United Kingdom. The Company's Asia operations are located in Singapore. Revenues, operating profit, and identifiable assets, classified by major geographic areas in which the Company operates were:

	NORTH AMERICA	EUROPE	ASIA	ELIMINATIONS	TOTAL
YEAR ENDED DECEMBER 31, 1997					
Revenues	$ 79,011	$ 10,139	$ --	$ --	$ 89,150
Operating profit	4,587	748	--	--	5,335
Identifiable assets	$ 55,072	$ 4,123	$ --	$ (1,023)	$ 58,172
YEAR ENDED DECEMBER 31, 1998					
Revenues	$ 121,374	$ 8,317	$ 11,293	$ --	$ 140,984
Operating profit	10,279	330	582	--	11,191
Identifiable assets	$ 76,385	$ 2,861	$ 1,075	$ (120)	$ 80,201
YEAR ENDED DECEMBER 31, 1999					
Revenues	$ 156,008	$ 23,330	$ 25,889	$ --	$ 205,227
Operating profit	14,877	1,818	1,314	--	18,009
Identifiable assets	$ 92,402	$ 7,478	$ 3,819	$ (2,264)	$ 101,435

16. PRINCIPAL CLIENTS

Two clients accounted for 56.3% and 25.4% of revenues for the year ended December 31, 1997. One client accounted for 72.5% and 77.5% of revenues for the year ended December 31, 1998 and 1999, respectively. The loss of its principal client for the year ended December 31, 1999 would have a material adverse effect on the Company's business, operating results, and financial condition. To limit the Company's credit risk, management performs ongoing credit evaluations of its clients and maintains allowances for potentially uncollectible accounts. Although the Company is directly impacted by economic conditions in which its clients operate, management does not believe substantial credit risk exists as of December 31, 1999.

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

17. QUARTERLY DATA (UNAUDITED)

	1998 QUARTERS ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
Revenues	$ 24,321	$ 24,692	$ 31,617	$ 60,354
Gross profit	4,564	4,684	5,821	10,836
Selling, general and administrative expenses	2,732	3,285	3,483	5,214
Operating profit	1,832	1,399	2,338	5,622
Net income	$ 1,512	$ 1,338	$ 1,787	$ 3,907
Earnings per share:				
Basic	$ 0.11	$ 0.10	$ 0.13	$ 0.28
Diluted	$ 0.11	$ 0.10	$ 0.13	$ 0.28
Weighted average shares outstanding:				
Basic	13,828,571	13,828,571	13,828,571	13,828,571
Diluted	13,828,571	13,828,571	13,828,571	13,828,571

	1999 QUARTERS ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
Revenues	$ 40,850	$ 45,723	$ 52,279	$ 66,375
Gross profit	7,686	8,507	9,690	12,464
Selling, general and administrative expenses	4,429	5,202	5,576	5,131
Operating profit	3,257	3,305	4,114	7,333
Net income	$ 2,427	$ 2,490	$ 3,036	$ 5,070
Earnings per share:				
Basic	$ 0.18	$ 0.18	$ 0.22	$ 0.36
Diluted	$ 0.18	$ 0.18	$ 0.21	$ 0.35
Weighted average shares outstanding:				
Basic	13,828,571	13,832,246	13,856,554	13,979,393
Diluted	13,828,571	13,832,246	14,191,360	14,283,613

STARTEK, INC.
INDEX OF EXHIBITS

EXHIBITS

3.1	Restated Certificate of Incorporation of the Company (incorporated by reference from Form S-1 Registration Statement filed with the Securities and Exchange Commission on January 29, 1997).
3.2	Restated Bylaws of the Company (incorporated by reference from Form S-1 Registration Statement filed with the Securities and Exchange Commission on January 29, 1997).
*3.3	Certificate of Amendment to the Certificate of Incorporation of StarTek, Inc. filed with the Delaware Secretary of State on May 21, 1999. 4.1 Specimen Common Stock certificate (incorporated by reference from Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on March 7, 1997).
10.1	StarTek, Inc. Stock Option Plan (incorporated by reference from Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on March 7, 1997).
10.2	Form of Stock Option Agreement (incorporated by reference from Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on March 7, 1997).
10.3	StarTek, Inc. Director Stock Option Plan (incorporated by reference from Form S-1 Registration Statement filed with the Securities and Exchange Commission on January 29, 1997).
10.4	Lease by and between East Mercia Developments Limited and StarTek Europe, Ltd. and Startek USA Inc. (formerly named StarPak International, Ltd. and StarPak, Inc., respectively) (incorporated by reference from Form S-1 Registration Statement filed with the Securities and Exchange Commission on January 29, 1997).
10.5	Promissory Note of StarTek USA, Inc. (formerly named StarPak, Inc.) dated December 29, 1995 in the principal amount of $1,111,844.17 payable to the order of General Communications, Inc. (incorporated by reference from Form S-1 Registration Statement filed with the Securities and Exchange Commission on January 29, 1997).
10.6	HP Purchase Agreement dated September 1, 1995 by and between Hewlett-Packard Company, StarTek USA, Inc. and StarTek Europe, Ltd. (formerly named StarPak, Inc. and StarPak International, Ltd., respectively) (incorporated by reference from Amendment No. 3 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on March 26, 1997).
10.7	Microsoft Supply, Manufacturing and Services Agreement dated March 28, 1996 by and between Microsoft Corporation and StarTek USA, Inc. (formerly named StarPak, Inc.). (incorporated by reference from Amendment No. 3 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on March 26, 1997).
10.8	Equipment Lease (Schedule No. 01) between Varilease Corporation, as Lessor, and StarTek USA, Inc. (formerly StarPak, Inc.), as Lessee, dated March 7, 1997 (incorporated by reference from Amendment No. 4 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on May 23, 1997).
10.9	Equipment Lease (Schedule No. 2) between Varilease Corporation, as Lessor, and StarTek USA, Inc. (formerly StarPak, Inc.), as Lessee, dated April 15th, 1997 (incorporated by reference from Amendment No. 4 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on May 23, 1997).
10.10	Loan Agreement, dated November 6, 1997, between StarTek, Inc. (the "Borrower") and Norwest Bank Colorado, National Association (the "Bank") and 360 Day Promissory Note dated November 6, 1997, payable by the Borrower to the Bank (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 13, 1997).
10.11	Amendment dated September 30, 1997 to HP Purchase Agreement dated September 1, 1995 by and between Hewlett-Packard Company, StarTek USA, Inc. and StarTek Europe, Ltd. (formerly named StarPak, Inc. and StarPak International, Ltd., respectively) (incorporated by

reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 13, 1997).

10.12	Standard Form of Agreement Between Owner (StarTek USA, Inc.) and Contractor (Landmark Builders of Greeley, Inc.) dated December 1, 1997 (incorporated by reference from Form 10-K Annual Report filed with the Securities and Exchange Commission on March 31, 1998).
10.13	HP Master Agreement Technical Support Services dated January 7, 1998 by and between Hewlett Packard Company and StarTek USA, Inc. (incorporated by reference from Form 10-K Annual Report filed with the Securities and Exchange Commission on March 31, 1998).
10.14	Facility lease agreement dated as of July 8, 1998 between StarTek USA, Inc. (a wholly owned subsidiary of the Company) and the Industrial Development Board of the County of Montgomery, Tennessee and Industrial Development Revenue Note, Series A dated as of July 8, 1998 and issued by the Industrial Development Board of the County of Montgomery, Tennessee (incorporated by

	reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on August 14, 1998).
10.15	Microsoft Corporation Manufacturing Agreement between StarTek, Inc. and Microsoft Corporation dated as of January 1, 1998 (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 13, 1998).
10.16	Equipment lease agreement dated as of July 8, 1998 between StarTek USA, Inc. (a wholly owned subsidiary of the Company) and the Industrial Development Board of the County of Montgomery, Tennessee and Industrial Development Revenue Note, Series B dated as of July 8, 1998 and issued by the Industrial Development Board of the County of Montgomery, Tennessee (incorporated by reference from Form 10-K Annual Report filed with the Securities and Exchange Commission on March 31, 1999).
10.17	Amended and Restated Credit Agreement, dated March 15, 1999, between StarTek, Inc. and Norwest Bank Colorado, National Association, Denver, Colorado (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on May 15, 1999).
10.18	Lease by and between StarTek Europe, Ltd., as Lessee, and Spencer Holdings Plc., as Lessor, dated May 27, 1999 (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on August 16, 1999).
10.19	Promissory Note of StarTek USA, Inc. dated October 26, 1998 in the principal amount of $3,629,367.67 payable to the order of Norwest Equipment Finance, Inc., Security Agreement dated October 26, 1998 by and between StarTek USA, Inc. and Norwest Equipment Finance, Inc., and Security Agreement dated October 26, 1998 by and between StarTek USA, Inc. and Norwest Equipment Finance, Inc. (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 15, 1999).
10.20	Contribution Agreement dated September 15, 1999 among Good Catalog Company, The Reader's Digest Association, Inc., and Domain.com, Inc. (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 15, 1999).
10.21	Stockholders Agreement dated September 15, 1999 by and among Good Catalog Company, The Reader's Digest Association, Inc., and Domain.com, Inc. (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 15, 1999).
10.22	Loan Agreement dated November 1, 1999 with respect to loans to be extended by The Reader's Digest Association, Inc. and Domain.com, Inc. to Good Catalog Company (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 15, 1999).
10.23	Promissory Note of Good Catalog Company dated November 1, 1999 in the principal amount of $7,816,875.00 payable to the order of Domain.com, Inc. (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 15, 1999).
10.24	Promissory Note of StarTek USA, Inc. dated October 22, 1999 in the principal amount of $2,030,565.67 payable to the order of KeyCorp Leasing, a division of Key Corporate Capital, Inc., Security Agreement dated October 13, 1999 by and between StarTek USA, Inc. and KeyCorp Leasing, and Amendment No. 1 to Security Agreement dated October 13, 1999 (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 15, 1999).
**10.25	Microsoft Corporation Manufacturing and Supply and Services Agreement between StarTek, Inc. and Microsoft Corporation dated as of July 1, 1999.
**10.26	Microsoft Ireland Operations Limited Manufacturing Agreement between StarTek Europe, Ltd. and Microsoft Ireland Operations Limited dated as of February 1, 1999.
*21.2	Subsidiaries of the Registrant.
*23.1	Consent of Independent Auditors dated March 8, 2000.
*27.1	Financial Data Schedule.

- ------------------

*   Filed with this Form 10-K.

** Filed with this Form 10-K. Certain portions of the exhibit have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned thereunto duly authorized.

STARTEK, INC.
- --
(Registrant)
By: /s/ Dennis M. Swenson
- --
Dennis M. Swenson
Executive Vice President, Chief
Financial Officer, Secretary, and Treasurer
Date: March 8, 2000
- --

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Michael W. Morgan
- --
Michael W. Morgan
President, Chief Executive Officer and Director
(Principal Executive Officer)
Date: March 8, 2000
- --

/s/ Dennis M. Swenson
- --
Dennis M. Swenson
Executive Vice President, Chief Financial Officer, Secretary,
and Treasurer (Principal Financial and Accounting Officer)
Date: March 8, 2000
- --

/s/ E. Preston Sumner, Jr.
- --
E. Preston Sumner, Jr.
Executive Vice President and Chief Operating Officer
Date: March 8, 2000
- --

/s/ A. Emmet Stephenson, Jr.
- --
A. Emmet Stephenson, Jr.
Chairman of the Board
Date: March 8, 2000
- --

/s/ Ed Zschau
- --
Ed Zschau
Director
Date: March 8, 2000
- --

/s/ Jack D. Rehm
- --
Jack D. Rehm
Director
Date: March 8, 2000
- --

STARTEK, INC.
INDEX OF EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.1	Restated Certificate of Incorporation of the Company (incorporated by reference from Form S-1 Registration Statement filed with the Securities and Exchange Commission on January 29, 1997).
3.2	Restated Bylaws of the Company (incorporated by reference from Form S-1 Registration Statement filed with the Securities and Exchange Commission on January 29, 1997).
*3.3	Certificate of Amendment to the Certificate of Incorporation of StarTek, Inc. filed with the Delaware Secretary of State on May 21, 1999. 4.1 Specimen Common Stock certificate (incorporated by reference from Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on March 7, 1997).
10.1	StarTek, Inc. Stock Option Plan (incorporated by reference from Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on March 7, 1997).
10.2	Form of Stock Option Agreement (incorporated by reference from Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on March 7, 1997).
10.3	StarTek, Inc. Director Stock Option Plan (incorporated by reference from Form S-1 Registration Statement filed with the Securities and Exchange Commission on January 29, 1997).
10.4	Lease by and between East Mercia Developments Limited and StarTek Europe, Ltd. and Startek USA Inc. (formerly named StarPak International, Ltd. and StarPak, Inc., respectively) (incorporated by reference from Form S-1 Registration Statement filed with the Securities and Exchange Commission on January 29, 1997).
10.5	Promissory Note of StarTek USA, Inc. (formerly named StarPak, Inc.) dated December 29, 1995 in the principal amount of $1,111,844.17 payable to the order of General Communications, Inc. (incorporated by reference from Form S-1 Registration Statement filed with the Securities and Exchange Commission on January 29, 1997).
10.6	HP Purchase Agreement dated September 1, 1995 by and between Hewlett-Packard Company, StarTek USA, Inc. and StarTek Europe, Ltd. (formerly named StarPak, Inc. and StarPak International, Ltd., respectively) (incorporated by reference from Amendment No. 3 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on March 26, 1997).
10.7	Microsoft Supply, Manufacturing and Services Agreement dated March 28, 1996 by and between Microsoft Corporation and StarTek USA, Inc. (formerly named StarPak, Inc.). (incorporated by reference from Amendment No. 3 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on March 26, 1997).
10.8	Equipment Lease (Schedule No. 01) between Varilease Corporation, as Lessor, and StarTek USA, Inc. (formerly StarPak, Inc.), as Lessee, dated March 7, 1997 (incorporated by reference from Amendment No. 4 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on May 23, 1997).
10.9	Equipment Lease (Schedule No. 2) between Varilease Corporation, as Lessor, and StarTek USA, Inc. (formerly StarPak, Inc.), as Lessee, dated April 15th, 1997 (incorporated by reference from Amendment No. 4 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on May 23, 1997).
10.10	Loan Agreement, dated November 6, 1997, between StarTek, Inc. (the "Borrower") and Norwest Bank Colorado, National Association (the "Bank") and 360 Day Promissory Note dated November 6, 1997, payable by the Borrower to the Bank (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 13, 1997).
10.11	Amendment dated September 30, 1997 to HP Purchase Agreement dated September 1, 1995 by and between Hewlett-Packard Company, StarTek USA, Inc. and StarTek Europe, Ltd. (formerly named StarPak, Inc. and StarPak

International, Ltd., respectively) (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 13, 1997).

10.12	Standard Form of Agreement Between Owner (StarTek USA, Inc.) and Contractor (Landmark Builders of Greeley, Inc.) dated December 1, 1997 (incorporated by reference from Form 10-K Annual Report filed with the Securities and Exchange Commission on March 31, 1998).
10.13	HP Master Agreement Technical Support Services dated January 7, 1998 by and between Hewlett Packard Company and StarTek USA, Inc. (incorporated by reference from Form 10-K Annual Report filed with the Securities and Exchange Commission on March 31, 1998).
10.14	Facility lease agreement dated as of July 8, 1998 between StarTek USA, Inc. (a wholly owned subsidiary of the Company) and the Industrial Development Board of the County of Montgomery, Tennessee and Industrial Development Revenue Note, Series A dated as of July 8, 1998 and issued by the Industrial Development Board of the County of Montgomery, Tennessee (incorporated by

	reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on August 14, 1998).
10.15	Microsoft Corporation Manufacturing Agreement between StarTek, Inc. and Microsoft Corporation dated as of January 1, 1998 (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 13, 1998).
10.16	Equipment lease agreement dated as of July 8, 1998 between StarTek USA, Inc. (a wholly owned subsidiary of the Company) and the Industrial Development Board of the County of Montgomery, Tennessee and Industrial Development Revenue Note, Series B dated as of July 8, 1998 and issued by the Industrial Development Board of the County of Montgomery, Tennessee (incorporated by reference from Form 10-K Annual Report filed with the Securities and Exchange Commission on March 31, 1999).
10.17	Amended and Restated Credit Agreement, dated March 15, 1999, between StarTek, Inc. and Norwest Bank Colorado, National Association, Denver, Colorado (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on May 15, 1999).
10.18	Lease by and between StarTek Europe, Ltd., as Lessee, and Spencer Holdings Plc., as Lessor, dated May 27, 1999 (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on August 16, 1999).
10.19	Promissory Note of StarTek USA, Inc. dated October 26, 1998 in the principal amount of $3,629,367.67 payable to the order of Norwest Equipment Finance, Inc., Security Agreement dated October 26, 1998 by and between StarTek USA, Inc. and Norwest Equipment Finance, Inc., and Security Agreement dated October 26, 1998 by and between StarTek USA, Inc. and Norwest Equipment Finance, Inc. (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 15, 1999).
10.20	Contribution Agreement dated September 15, 1999 among Good Catalog Company, The Reader's Digest Association, Inc., and Domain.com, Inc. (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 15, 1999).
10.21	Stockholders Agreement dated September 15, 1999 by and among Good Catalog Company, The Reader's Digest Association, Inc., and Domain.com, Inc. (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 15, 1999).
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EXHIBIT 3.3

CERTIFICATE OF AMENDMENT
TO THE
CERTIFICATE OF INCORPORATION
OF
STARTEK, INC.

StarTek, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Act"), hereby certifies as follows:

1. The name of the corporation is StarTek, Inc. (the "Corporation").

2. The amendment to the Certificate of Incorporation of the Corporation set forth below was duly adopted in accordance with the provisions of Section 242 of the Act.

3. The Certificate of Incorporation of the Corporation is hereby amended by deleting Article IV thereof in its entirety and by substituting in lieu thereof the following, so that Article IV, Section A shall hereafter read as follows:

ARTICLE IV
Stock

The total number of shares of stock which the Corporation shall have authority to issue is 18,000,000 shares with $.01 per share par value, all of which are designated as common stock ("Common Stock").

IN WITNESS WHEREOF, this Certificate of Amendment to the Certificate of Incorporation of StarTek, Inc. is executed May 20, 1999.

STARTEK, INC., a Delaware corporation

By: /s/ Dennis M. Swenson

Title: Executive Vice President,
Chief Financial Officer,
Secretary and Treasurer

EXHIBIT 10.25

PORTIONS OF THIS EXHIBIT MARKED WITH AN "*" HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

MICROSOFT CORPORATION
MANUFACTURING AND SUPPLY AND SERVICES AGREEMENT

- --
CONFIDENTIAL
- --

This Microsoft Manufacturing and Supply and Services Agreement ("Agreement") is made and entered into this 1st day of July, 1999 ("Effective Date"), by and between Microsoft Corporation ("Microsoft"), a Washington, USA corporation, and StarTek, Inc. ("StarTek"), a Colorado corporation.

RECITALS

WHEREAS, Microsoft and StarTek intend to create a formal relationship by which StarTek shall provide certain manufacturing and distribution services with respect to orders for Microsoft software and hardware products.

WHEREAS, the parties intend in this Agreement to set forth specific terms and conditions governing the performance of certain manufacturing and distribution services by StarTek for Microsoft; and

NOW, THEREFORE, in consideration of the covenants and conditions set forth below, the adequacy of which is agreed to and hereby acknowledged, the parties agree as follows:

AGREEMENT

1. DEFINITIONS.

The following terms, whenever initially capitalized, shall have the following meanings for the purposes of this Agreement:

(a) "BOM" shall mean the bill of materials document provided by Microsoft to StarTek, which bill of materials identifies all components comprising a given Product or Product Component. BOMs may be modified in writing prospectively from time to time by Microsoft at its sole discretion.

(b) "CUSTOMERS" shall mean customers designated by Microsoft, including Microsoft internal customers and distribution vendors, to whom Microsoft authorizes StarTek to deliver Product pursuant to the terms and conditions of this Agreement and the Statements of Work.

(c) "DELIVERABLES" shall mean and include all Hardware, code material, source material, software masters or replicative material or other such documented material, of any kind or description and in any form including compact disk, other disks or diskettes, tape, text or any electronic or other medium supplied by Microsoft or at its direction. It does not include such materials if held under an independent contractual relationship with an Original Equipment Manufacturer ("OEM") which contract contains the requisite license. Nor does it include Products acquired for office purposes and used by StarTek in its offices.

(d) "FACILITY" shall mean the manufacturing facility operated, owned, subcontracted or leased by StarTek, at *.

(e) "FINISHED PRODUCT UNIT" shall mean fully packaged Microsoft Product, which includes all requisite Product Components, Microsoft software and/or Hardware, ready for delivery to a Customer.

(f) "HARDWARE" shall mean, without limitation, all Microsoft keyboards, mice, joysticks and other Microsoft Products which could not reasonably be categorized as software.

(g) "INSOLVENT" shall mean a financial condition such as to make the sum of a party's debts greater than all of the party's assets, at fair valuation; or, when a party has incurred debts beyond that party's ability to pay such debts as they mature; or, when a party is engaged in a business or transaction for which the party has unreasonably small capital.

(h) "INTELLECTUAL PROPERTY" shall mean any and all trademarks, copyrights, patents and other proprietary rights comprising or encompassing a given Product.

(i) "INVENTORY" includes Finished Product Units, Deliverables, work in process, Product Components, Hardware or Raw Materials pertaining to the Products that contain Microsoft software, trademarks, copyrighted material, logos or other proprietary materials.

(j) "MANUFACTURING AND SUPPLY" OR "MANUFACTURING AND SUPPLYING" shall mean the manufacturing and supply of Product Components and Products as described in the Statements of Work.

(k) "PRODUCTS LIST" shall mean a list provided to StarTek by Microsoft from time to time that will list the Products to be Manufactured and Supplied by StarTek and Services to be provided by StarTek for Products pursuant to the terms of this Agreement.

(l) "PRODUCT(S)" shall mean the copyrighted and/or patented Microsoft software products, including Product Components, Microsoft software, and any associated documentation, packaging and other written materials, including, where applicable, the specified user documentation, which Microsoft may request StarTek to Manufacture pursuant to this Agreement, by the issuance of a purchase order .

(m) "PRODUCT COMPONENTS" shall mean the Product CD-ROMs, Jewel Case Components, Disk Set Components, Assembled Box Components and Microsoft software products.

(n) "RAW MATERIALS" shall mean each raw material purchased by StarTek from third parties and used to compromise a Product or Product Component such as, for example and without limitation, disks, polyvinyl disk baggies, documentation, boxes, retail *.

(o) "SERVICES" shall mean packaging and distribution services described in this Agreement and the Statement of Work.

(p) "STATEMENT(S) OF WORK" shall mean the attached Exhibits A and B, including any modifications made thereto pursuant to Section 14(b).

(q) "PRODUCT CD-ROMS" shall mean the Product CD-ROM media either supplied by Microsoft or produced or procured by StarTek, but shall not include any Microsoft software included on the CD-ROM.

(r) "DISK SET COMPONENT" shall mean the fully assembled disk set, including polyvinyl disk baggies and duplicated disks either supplied by Microsoft or produced or procured by StarTek, but shall not include any Microsoft software included on the disks.

(s) "JEWEL CASE COMPONENT" shall mean a fully assembled jewel case or CD sleeve, including all documentation and other printed material, such as the front and back liners but excluding the Product CD-ROMs, to be included as an insert in the jewel case.

(t) "ASSEMBLED BOX COMPONENT" shall mean the fully assembled retail packaging, including without limitation, retail bar code labels and all manuals and other documentation that is to be included with the Product, but excluding the Product CD-ROMs, Jewel Case Components, Disk Set Components.

2. MANUFACTURING AND SERVICES.

(a) GENERAL. StarTek hereby agrees to conduct Manufacturing and Supply and Services for Products on the Products List at the Facility pursuant to the terms and conditions set forth in this Agreement, including without limitation, the Statements of Work. StarTek shall not conduct Manufacturing and Supply and Services at or from any location other than the Facility without Microsoft's prior written approval. In the event of any conflict between the terms contained in this Agreement and terms contained in the Statements of Work, the terms contained in this Agreement shall control.

(b) OTHER MANUFACTURING/SERVICES. In addition to Manufacturing and Supply and Services, the parties may identify other manufacturing and/or services to be provided under this Agreement through an addendum signed by the parties hereto.

(c) REPORTS. StarTek, at the scheduled times shall provide Microsoft with reports as specified herein or in the Exhibits (each a "Report"), with respect to all Products or Manufacturing and Supply and Services ordered or sold hereunder through StarTek to Customers. All Reports shall be in the form shown in the Exhibits and have the content as set forth in this Agreement or as otherwise agreed by the parties in writing, and shall be complete as required under this Agreement and accurate. Each Report, whether in paper or electronic format, shall meet the Standard Report Requirements identified for the Report in the Exhibits and shall be delivered as specified in the Exhibits. StarTek shall use reasonable efforts to correct any errors in a Report within * following Microsoft's notice specifying the item in respect of which an error has occurred. StarTek shall deliver each Report and all required supporting documentation therefor, by the time and on the date specified in the Exhibits.

(d) NO ALTERATION; NO MISREPRESENTATION. Except in accordance with the terms of this Agreement or as otherwise authorized in writing by Microsoft, StarTek shall not alter the Product or Product packaging without the specific prior written consent of Microsoft, and shall have no authority to make copies of Microsoft diskettes or documentation other than as provided in this Agreement. StarTek shall distribute Product to Customers as specified in the Statements of Work. No other product or informational piece, including without limitation flyers, literature, documentation and advertising may be bundled with any product without the prior written consent of Microsoft. All materials used by StarTek in the distribution of Product shall comply with Section 4 hereof and shall clearly note that such Product is Microsoft Product. Such materials may include, but are not limited to, Microsoft invoices, packing slips, and packaging.

(e) INVENTORY. All of the Inventory shall at all times be held exclusively for assembly and delivery to shipping locations as authorized by Microsoft and for no other purpose, use or disposition, except as may be directed in writing by Microsoft. StarTek shall at all times cause the Inventory to be free and clear of any and all liens, encumbrances and other claims of its creditors. StarTek grants Microsoft the option, assignable to any affiliated corporation, to acquire by purchase all of the Inventory and/or Product Components (less Finished Product Units which have already been purchased by Microsoft) upon * notice, and payment as would apply for unused Inventory in the case of termination as stated in Section 10, at the price set forth at in Exhibit C. At any time, upon Microsoft's request, StarTek shall take all necessary steps and shall execute such documents as may be necessary or advisable under the local law where the Inventory is located, in order to effect the sale of such Inventory and/or Product Components to Microsoft and to document Microsoft's title to Inventory and/or Product Components owned by Microsoft. Use of Intellectual Property in any manner by StarTek after expiration or termination of this Agreement for any reason, whether or not incorporated in Inventory, shall be deemed to be in violation of Microsoft's Intellectual Property rights and shall entitle Microsoft to have all remedies provided by law or equity (including injunctive relief); provided, however, (i) this does not preclude StarTek from continuing to use in its offices Microsoft Products legally acquired for that purpose; and (ii) it does not preclude StarTek's performance of independent contractual relationships with Microsoft or an OEM (original equipment manufacturer) or other party, which contract contains the requisite Microsoft product replication license.

(f) INVENTORY CONSIGNMENT. If, and to the extent that, Microsoft delivers Deliverables, Product CD-ROMs and/or Disk Set Components (collectively referred to herein as the "Consigned Inventory") to StarTek or places it under StarTek's control, this is a true consignment agreement governing such Consigned Inventory, which StarTek shall hold in trust for the sole benefit of Microsoft pursuant to Section 6(b)(i). StarTek is not purchasing the Consigned Inventory. StarTek shall hold the Consigned Inventory either (a) for delivery to Microsoft's distribution center pursuant to this Agreement or (b) for return to Microsoft, and StarTek's authority is limited thereto. Microsoft consents only to sales in the ordinary course of providing the Services pursuant to this Agreement. The references in this subsection or elsewhere in this Agreement to "StarTek's control" means its ability to exercise restraining or directing influence over the item described. All of the Consigned Inventory shall be held in the Microsoft approved Facilities and exclusively for transfer to Microsoft's distribution center as authorized by Microsoft and for no other purpose, use or disposition, except as may be directed by Microsoft. Microsoft shall have title and ownership of the entire Consigned Inventory. StarTek shall at all times cause the Consigned Inventory to be free and clear of any and all liens, encumbrances and other claims of StarTek's creditors. StarTek shall label all Consigned Inventory as being the "property of Microsoft" and keep all such Consigned Inventory completely and totally segregated from any materials, supplies or inventory belonging to StarTek or any of its customers. At any time, at Microsoft's request, StarTek shall take all reasonable steps and shall execute a security agreement and financing statements, or their equivalents, all as may be necessary or advisable under the local law where the Consigned Inventory is located, in order to place of record Microsoft's ownership of all Consigned Inventory, and its unavailability to any creditor or creditors of StarTek. Microsoft shall bear the reasonable cost to StarTek (not to exceed $500.00) of reviewing, negotiating and executing any such security agreements or financing statements, except that StarTek shall bear the cost of executing any such agreements or statements done contemporaneously in connection with the execution of this Agreement.

(g) DECLARATION OF TRUST.

(1) GENERALLY. StarTek hereby declares, confirms and agrees that throughout the term of this Agreement, StarTek shall hold in trust for the sole benefit of Microsoft all Consigned Inventory within StarTek's possession or within its reasonable control, of any kind, description or character. StarTek further agrees to account for the Consigned Inventory in its possession or under its reasonable control as property held in trust for Microsoft and not as assets belonging to StarTek, and not to present any Consigned Inventory as assets of StarTek in its balance sheet or in any representations (whether oral or written) to its creditors.

Wherever this Agreement states StarTek holds property in trust or as trustee, StarTek agrees to exercise ordinary care that Consigned Inventory received by StarTek will be handled as specified in this Agreement, but it does not, because of any trust or otherwise, undertake any greater standard of care.

(2) ACCOUNTING. StarTek agrees to account for the disposition of all Consigned Inventory received by StarTek, such accounting to be given to Microsoft at Microsoft's request, at the times and in the manner reasonably

requested by Microsoft. If this is beyond the reports otherwise required hereunder, the reasonable expense of it shall be paid by Microsoft.

(3) DIRECTIONS. Microsoft may at any time direct StarTek to return to Microsoft according to Microsoft's direction and at Microsoft's sole expense part or all of the Consigned Inventory in StarTek's possession or under its reasonable control. StarTek shall promptly (within *) comply with any such direction.

(h) AGREEMENT NOT TO SELL. StarTek acknowledges that, under the terms of this Agreement, that both during and after the term of this Agreement it has no rights within the licenses pertaining to software or other Microsoft proprietary materials or Products which would allow StarTek to be a seller or distributor of any Products. Whenever requested by Microsoft and from time to time, it will sign separate mutually acceptable agreements to this effect.

(i) SAFE STORAGE AND *. StarTek agrees not to store any other goods near or in such relation to the Products or Product Components as to cause injury to those Products or Product Components through contamination by strong odors, leakage, or otherwise. *.

(j) NON-EXCLUSIVITY. This Agreement is not an exclusive agreement. At all times Microsoft shall have the right to appoint other third parties to perform Manufacturing and Supply and Services and other services for Microsoft or Customers. Provided that StarTek would not be placed in breach of this Agreement, StarTek may contract with and conduct manufacturing services for other software companies.

(k) FINANCIAL INFORMATION. Within * after StarTek learns that it has become or will become Insolvent, StarTek shall submit financial statements to Microsoft in sufficient detail to allow Microsoft to determine whether StarTek shall be capable of continuing to perform its obligations hereunder. The financial statements shall include, but shall not be limited to, balance sheets and related statements of income and retained earnings and statements of changes in financial condition. To the extent those statements are audited, the audit report of the certified public accountant performing the audit shall also be made available to Microsoft.

(l) RETURN OF DELIVERABLES. StarTek will have possession of Deliverables and replicable material for certain Products and other property for purposes of the replication to be done under this Agreement. Upon termination of this Agreement and at any early time whenever requested by Microsoft to do so, StarTek shall immediately deliver, at Microsoft's cost, to Microsoft all of such Deliverables (provided that in no event shall such a request by Microsoft for StarTek's return of the Deliverables prejudice StarTek's right to full performance by Microsoft under this Agreement), replicable materials and all and any other Microsoft proprietary materials ever received by it and it shall not retain any copy or original of the same in any way whatsoever.

(m) QUALITY REQUIREMENTS. StarTek shall ensure that in performing its obligations under this Agreement, it shall operate in accordance with the quality guidelines as posted on Microsoft's Website, which can be found at * (the "Microsoft Website") and as set forth in the Statements of Work.

(n) PRODUCTION. StarTek covenants and agrees to meet Microsoft's demands for Product related to designated shipping locations, as such demands may be adjusted from time to time. Additional measurement procedures may be implemented as mutually agreed upon by Microsoft and StarTek.

(o) NON-CONFORMING PRODUCT. StarTek shall promptly replace and deliver, within * from notification, at no charge to Microsoft or its Customers, any non-conforming Product if any delivery of Product, or any portion of it, to any Customer fails to meet the quality standards specified in the Statements of Work. If StarTek is unable to obtain Product Components necessary to replace non-conforming Product within the specified two (2) week period, then replacement of such non-conforming Products shall take place as soon as possible after necessary Product Components are obtained by StarTek. StarTek agrees to use its best efforts to obtain Product Components as quickly as possible. In the event Microsoft determines that a Product recall is necessary due to a breach of StarTek's warranties hereunder, or due to a manufacturing defect, StarTek shall cooperate with Microsoft in all respects to conduct such recall at StarTek's expense; provided that if StarTek has given prior notice of the possible defect and recommended against delivery and the Product is nonetheless delivered at Microsoft's direction, or if the recall is necessary because of a Microsoft error, the recall on account of that defect shall be at Microsoft `s expense, but StarTek shall still cooperate with it, and in such a case, Microsoft shall reimburse StarTek for the costs of Manufacturing and Supply and Services for the replacement Products.

3. DEDICATED REPRESENTATIVES. StarTek shall appoint one qualified staff member ("StarTek Account Manager") who has or is hereby granted authority to (i) submit material and information requests to Microsoft; (ii) provide access to StarTek's staff and independent advisors (including accountants) to provide information and answer questions; and (iii) provide schedules and plans to Microsoft for Microsoft' review and/or approval. StarTek shall also appoint a more senior officer who shall have authority to act for StarTek in making binding decisions with respect to this Agreement, and amend this Agreement. Microsoft shall appoint one or more qualified staff members ("Microsoft Vendor Account Manager") who has or is hereby granted authority to (i) act for Microsoft and make binding decisions with respect to this Agreement, and amend this Agreement; (ii) review information supplied by StarTek; (iii) provide any Microsoft information and answer questions and provide Product training to StarTek. The StarTek Account Manager is * and the Microsoft Vendor Account Manager is *. StarTek's senior officer described above is *, its *. Either party may change account managers and StarTek may change the designated senior officer upon twenty (20) days' prior notice to the other (as long as or to the extent that such notice is reasonably possible).

4. PRICE AND PAYMENT.

(a) GENERAL. Microsoft and StarTek agree that StarTek shall be compensated for the Manufacturing and Supply and Services pursuant to the Price and Payment terms and conditions set forth in Exhibit C ("Component Pricing Matrix"). Microsoft shall be liable for payment to StarTek for Raw Materials that have been purchased in support of the weekly forecasts issued by Microsoft. Such forecasts shall only cover a two (2) week period and Microsoft shall not be responsible for Raw Materials purchased in excess of such forecasts. StarTek will use all reasonable efforts to provide competitive pricing to Microsoft. Except for Miscellaneous Charges (as defined below), all payments due by Microsoft to StarTek under this Agreement for Manufacturing Services shall be made * from Microsoft's receipt of a Purchase Order Receipt from StarTek. Payment shall be made by Microsoft in accordance with the Microsoft SAP Autovoucher Procedures. Payment for Miscellaneous Charges due by Microsoft to StarTek under this Agreement shall be made * from Microsoft's receipt of an invoice from StarTek. Any undisputed payment that is overdue for more than *, shall thereafter bear interest at an annual rate of * per annum (or such lower rate as may then be the highest rate legally available).

(b) MANNER OF PAYMENT; INVOICES. For Manufacturing and Supply and Services, with the exception of Miscellaneous Charges, StarTek shall provide daily Purchase Order Receipts in accordance with the Microsoft SAP Autovoucher Procedures. StarTek shall render accurate monthly invoices for the Miscellaneous Charges earned by the date of the Microsoft Fiscal Month Close. For purposes of this Section 4, "Miscellaneous Charges" shall be defined as including, without limitation, prep/tooling, freight charges, pallet charges and samples. Such invoices shall consist of a complete, itemized listing of all such Manufacturing and Supplying and Services performed or Miscellaneous Charges incurred during the current invoice period. Microsoft shall pay within * of its receipt of an invoice, the entire amount of the invoice (except for Disputed Amounts), if the invoice is accurate, complete and accompanied by backup documentation required in the Statements of Work. All invoices shall be expressed in U.S. dollars. All payments shall be made by Microsoft in U.S. dollars either by first class mail, postage paid, at the address specified herein for notices to StarTek or in such other manner or at such other place as StarTek may reasonably designate from time to time by notice to Microsoft or electronically, at Microsoft's sole option. Payment shall be deemed credited to the account of Microsoft when received by StarTek if sent by first class mail or upon receipt by StarTek's financial institution if sent electronically.

(c) DISPUTED AMOUNTS. As used herein, "Disputed Amounts" means invoice or Purchase Order Receipt amounts that are subject to a bona fide dispute raised by Microsoft in writing within * of Microsoft's receipt of an invoice, in the case of Miscellaneous Charges, or within * of an audit of Purchase Order Receipts, in the case of Manufacturing Services, which claim of dispute may concern not only the accuracy of the charge itself, but also any claim of deficient service or performance or any other claim of breach of this Agreement that relates to the specific charges in the invoice or Purchase Order Receipt. All Disputed Amounts that Microsoft subsequently agrees in writing to pay ("Agreed Payment") or that are required to be paid pursuant to a proper court order or award from any mutually submitted arbitration ("Required Payment") shall be paid within * from the date of such agreement or determination. Payment of an invoice or Purchase Order Receipt without asserting a dispute is not a waiver as to any claim or circumstance.

(d) REVISIONS TO STARTEK SERVICES. From time to time, Microsoft may request that StarTek revise its Manufacturing and Supply and Services. If (i) Microsoft makes a request or a series of requests that materially changes the Manufacturing and Supply and Services and (ii) StarTek determines that a change in compensation is warranted, StarTek may provide Microsoft with a quote of the change in cost, by unit or other appropriate measure, for which it will undertake the change of Services ("Interim Rate Quote"). Microsoft may accept or reject any Interim Rate Quote. If Microsoft accepts an Interim Rate Quote, StarTek's Manufacturing and Supply and Services and the corresponding costs to Microsoft shall be revised accordingly, which revision shall be memorialized in a written amendment signed by both parties. If Microsoft rejects an Interim Rate Quote, StarTek's Manufacturing and Supply and Services shall not be revised but Microsoft shall then be free to have the changed Manufacturing and Supply and Services in question performed by a third party and to terminate the relevant portion of the Manufacturing and Supply and Services upon thirty (30) calendar days' prior notice to StarTek. StarTek agrees, at Microsoft's reasonable expense, to cooperate with such third party to transition and allow it to perform such Manufacturing and Supply and Services. This Section 4(d) does not impair either party's rights under Section 11(b) hereof.

(e) COST CONTAINMENT. *

(f) TAXES. In the event income taxes are required to be withheld by Microsoft on payments to StarTek required hereunder, Microsoft agrees to provide StarTek with reasonable notice in advance of the first such withholding, and Microsoft may deduct such income taxes from the amounts owed and timely pay such taxes, when required, to the appropriate taxing authority. Microsoft shall in turn promptly secure and deliver to StarTek an official receipt for any income taxes withheld. Microsoft agrees to pay all applicable goods and services or other applicable consumption taxes (other than income taxes) levied on it by a duly constituted and authorized taxing authority on the Manufacturing and Supply and Services. To the extent required by any such taxing authority, StarTek may collect such taxes, if any, from Microsoft, and, in such case, shall remit to Microsoft official tax receipts indicating that such taxes have been collected by StarTek and remitted to the appropriate tax authorities, to the extent such receipts are available, and StarTek shall show such taxes as separate line items on invoices to Microsoft. StarTek agrees to take such steps as are reasonably requested by Microsoft to minimize such taxes in accordance with all relevant laws and to cooperate with and assist Microsoft, in challenging the validity of any taxes applicable to the Manufacturing and Supply and Services and collected from Microsoft by StarTek or otherwise paid by Microsoft. Except as required by law or where expressly agreed to, in writing, by Microsoft pursuant to Exhibit C, Microsoft shall not pay any taxes other than those described above, including, without limitation (1) taxes on or with respect to or measured by any net or gross income or receipts of StarTek, (2) any franchise taxes, taxes on doing business, gross receipts taxes or capital stock taxes (including any minimum taxes and taxes measured by any item of tax preference), (3) any taxes imposed or assessed for work performed without the written authorization by Microsoft after the date upon which this Agreement is terminated, (4) taxes based upon or imposed with reference to StarTek's real and personal property ownership, (5) taxes incurred by StarTek on all goods and services purchased from other related or unrelated parties, and/or (6) any taxes similar to or in the nature of those taxes described in (1), (2), (3), (4) or (5) above. StarTek agrees to make available to Microsoft any and all records necessary to comply with any and all tax obligations as provided herein, including but not limited to reports necessary for goods and services tax compliance and audit purposes. The contents and form of such reports shall be mutually agreed to between the parties.

5. LICENSE GRANT.

(a) GENERAL. In order to allow StarTek to perform its Manufacturing and Supply and Services as required hereunder during the term of this Agreement, Microsoft grants StarTek a non-exclusive, non-transferable, personal, limited license right to the Intellectual Property for each Product:

(1) to procure materials, reproduce and/or Manufacture and Supply the Product Components based upon the applicable BOM(s) and purchase orders delivered by Microsoft pursuant to the Statements of Work;

(2) to assemble the Product Components into Finished Product Unit(s) solely in accordance with the written instructions and BOM(s) delivered by Microsoft, including the right to reproduce and manufacture any Microsoft software and documentation specified in the BOM(s) as necessary to build the Finished Product Unit(s); and

(3) to deliver the Finished Product Unit(s) to Customers solely in accordance with the Statements of Work.

(b) LICENSE RESTRICTIONS.

(1) Except as expressly provided in the Statements of Work or in this Agreement, StarTek shall not in any way modify any BOM, Print Specifications, Products or Intellectual Property without obtaining, in advance, the express written permission of Microsoft;

(2) StarTek shall not reproduce, manufacture, or distribute any Product or Intellectual Property except pursuant to the terms of this Agreement or pursuant to a separate legal contractual arrangement, which contains a valid Microsoft license or authorization to do same;

(3) StarTek shall not reverse engineer, decompile, or disassemble any Products or Intellectual Property. Notwithstanding the foregoing, StarTek may physically disassemble those Product Components that do not consist of software or hardware solely for the purpose improving Product assembly and/or quality. No other product or informational piece, including without limitation flyers, literature, documentation and advertising, may be bundled with any Products without the prior written consent of Microsoft.

(4) StarTek shall perform the Manufacturing and Supply and Services (including, but not limited to replication and assembly of Products) only at the Facilities. Additional StarTek Facilities may be added to Exhibit H, but the addition of such locations is subject to Microsoft's prior written approval and, in the case of a StarTek subsidiary, the full execution by the StarTek subsidiary of the Microsoft Subsidiary Agreement between Microsoft and such StarTek subsidiary as shown in Exhibit I. StarTek hereby guarantees its subsidiary's fulfillment of the applicable obligations imposed on StarTek by this Agreement. StarTek agrees to indemnify Microsoft for all damages and/or costs of any kind, without limitation, incurred by Microsoft or any third party and caused by a

breach of its subsidiary's fulfillment of the applicable obligations imposed on StarTek by this Agreement, including, without limitation, StarTek's payment of any costs, fees and/or monetary judgments awarded in favor of Microsoft, by a court of competent jurisdiction, resulting from StarTek's subsidiary's unauthorized replication and/or distribution of Product(s).

(5) StarTek shall perform Manufacturing and Supply and Services solely in accordance with this Agreement, including without limitation, the Statements of Work.

(6) All rights not expressly granted herein, without limitation, are reserved by, and shall exclusively inure to the benefit of, Microsoft.

6. SUBCONTRACTING.

(a) TO THIRD PARTIES. StarTek shall not subcontract any of its rights or obligations under this Agreement, with respect to Manufacturing and Supply and Services, except as follows:

(1) Prior to any subcontractor performing any such services for StarTek under this Agreement, StarTek and its subcontractor shall enter into a written agreement ("Subcontractor Agreement") that expressly provides that Microsoft is a third party beneficiary of the Subcontractor Agreement with rights to enforce such agreement should StarTek fail to timely do so; that Microsoft, at its sole discretion, reserves the right to evaluate the Subcontractor, either in person or in written form; and further that requires Subcontractor to:

(A) comply with the applicable obligations identical to those imposed on StarTek under Sections 2, 5(b), 7(a), 8(a)(1), 9, 10, 11(c), 12, 13, 16(k), 16(l) and Exhibits A and B of this Agreement, and

(B) halt reproduction of Product(s) as required under this Agreement or upon notice from StarTek or Microsoft of the termination or expiration of this Agreement, and

(C) pay Microsoft's attorneys' fees if Microsoft employs attorneys to enforce any rights arising out of the Subcontractor Agreement; and

(2) StarTek guarantees its subcontractor's fulfillment of the applicable obligations imposed on StarTek by this Agreement; and

(3) StarTek shall indemnify, defend and hold Microsoft harmless for all damages and/or costs of any kind, including without limitation, those incurred by Microsoft and caused by a breach of the Subcontractor Agreement by a subcontractor and/or subcontractor's failure to fulfill the applicable obligations imposed on StarTek by this Agreement, including, but not limited to, StarTek's payment of any monetary judgments awarded to Microsoft by a court of competent jurisdiction and any costs and fees relating thereto, not paid by subcontractor, resulting from subcontractor's unauthorized replication and/or distribution of Product(s) in accordance with the Subcontractor Agreement; and

(4) Upon execution of this Agreement and thereafter prior to a subcontractor performing any services under this Agreement, StarTek shall provide Microsoft with a written certification, signed by a StarTek officer, representing and warranting that StarTek is in compliance with the provisions of Section 6 of this Agreement; and

(5) Microsoft, in its reasonable discretion, will provide an approved CD and COA supplier list as seen in Exhibit F which may be updated by Microsoft from time to time. If a supplier used by StarTek as a subcontractor is removed from such list by Microsoft, Microsoft acknowledges that StarTek may not be able to immediately discontinue use of subcontractor. In such case, subject to other rights and obligations of enforcement as set forth in the Agreement, Microsoft and StarTek will mutually agree to a transition plan.

(b) RIGHTS PASS THROUGH. It is the intention of this section that StarTek be able to subcontract, provided StarTek fully maintains quality standards and protects Microsoft's property rights in Microsoft's Intellectual Property and Deliverables such that, in addition to Microsoft's recourse to StarTek under this Agreement, Microsoft shall also have rights enforceable directly against the subcontractor. The responsibility and liability of StarTek under this Agreement is not diminished on account of any subcontract and StarTek shall be fully responsible for the subcontractor's performance and work.

(c) EXPORT RESTRICTIONS. StarTek hereby agrees that in subcontracting portions of the Manufacturing and Supply and Services to third parties pursuant to Section 6(a) or (b) above, StarTek shall not, directly or indirectly, export or transmit (i) any Product Component, Product and/or technical data or (ii) any Product (or any part thereof), process, or service that is the direct product of a Product, to (a) any countries that are subject to U.S. export restrictions (including as of the Effective Date, but not limited to, the Federal Republic of Yugoslavia (Serbia and Montenegro), Cuba, Iran, Iraq, Libya, North Korea, Sudan and Syria); (b) any end-user whom StarTek knows or has reason to know will utilize such Product Component, Product and/or technical data in the design, development or production of nuclear, chemical or biological weapons; or (c) any other country to which such export or transmission is restricted by the export control laws and regulations of the United States, and any amendments thereof, without prior written consent, if required, of the Bureau of Export Administration of the U.S. Department of Commerce, or such other governmental entity as may have jurisdiction over such export or transactions, unless Microsoft specifically directs StarTek in writing to do so.

(d) INDEMNIFICATION. If StarTek delivers Product(s) to a Customer specified by Microsoft or at Microsoft's direction, Microsoft agrees to indemnify StarTek for any consequent indirect violation of the export restrictions described in subsection 6(c) above.

(e) ENFORCEMENT. StarTek agrees that it will diligently and timely enforce all rights against or obligations of any subcontractor(s) in order to enforce compliance with the applicable terms of this Agreement and/or to otherwise cure a subcontractor breach.

7. REPRESENTATIONS & WARRANTIES.

(a) BY STARTEK. StarTek represents and warrants to Microsoft as follows:

(1) StarTek has full right and power to enter into and perform according to the terms of this Agreement and doing so does not violate any agreement between it and any third party;

(2) the Manufacturing and Supply and Services, including any portion done by any subcontractor as contemplated in Section 5, will strictly comply with all applicable laws, as well as the terms and conditions of this Agreement, including without limitation the Statements of Work;

(3) the Products (including the Raw Materials, reproduction quality, Product Components and Finished Product Unit quality) will satisfy the quality workmanship standards and service levels set forth in the Microsoft Website (*) and Statements of Work and StarTek shall further protect Microsoft's property rights in Microsoft's Intellectual Property and Deliverables from unauthorized use within the scope of this Agreement;

(4) StarTek shall at all times comply with its commitments and obligations as stated in this Agreement;

(5) StarTek's performance of Manufacturing and Supply and Services, pursuant to the rights granted under this Agreement, does not infringe any third party's patent, copyright, trade secret and/or any other intellectual property right with respect to StarTek's replication, assembly, and/or distribution processes;

(6) StarTek will, at all times relevant to this Agreement, keep any and all license agreement with third parties relevant to Manufacturing and Supply and Services for the Products in force and in good standing; and

(7) StarTek shall promptly replace, at no charge to Microsoft or the Customers, any non-conforming Products, and all transportation, customs, and/or taxes relating thereto, if any delivery of Products to Microsoft or Customers, or any portion of it, breaches the warranties of Section 7(a). In the event Microsoft determines that a Product recall is necessary, StarTek shall cooperate with Microsoft in all respects to conduct such recall at StarTek's expense, provided that if the recall is necessary because of a Microsoft error, the recall on the account of that defect shall be at Microsoft's expense, but StarTek shall still cooperate with it, and in such a case, Microsoft shall reimburse StarTek for the costs of producing and distributing the replacement Products.

(8) StarTek agrees that it will not make any warranties, statements or representations regarding Product(s) beyond the scope of what is authorized by this Agreement or contained in Microsoft-provided written documentation or other Microsoft documents or contained in the written Microsoft Software License Agreement.

(9) StarTek agrees that it will not modify any of the warranties regarding Product(s) set forth in the written Microsoft Software License Agreement or in Microsoft-provided written documentation or other Microsoft documents.

(10) StarTek shall indemnify, defend and hold Microsoft harmless from all Claims threatened, asserted or filed by any person or entity arising out of or related to any other warranty of alleged warranty made or modified by StarTek.

(11) All equipment, products, systems and processes utilized by StarTek in providing the Manufacturing services including without limitation all hardware, software and networks will be fully and effectively "Year 2000 Compliant."

(12) YEAR 2000 COMPLIANCE.

(A) In this Section 7(a)(12), the expression "Year 2000 Compliant" (and like expressions) shall mean that no operational, financial, data transmission, communication or process is affected or interrupted by dates prior to, during or after the Year 2000, and in particular, but without prejudice to the generality of the foregoing that:

(i) *;

(ii) *;

(iii) *;

(iv) *.

(B) *.

StarTek at its expense shall have completed the following:

(i) *.

(ii) *.

(iii) *.

(iv) *.

(v) *.

(vi) *.

(C) *.

(D) *.

(E) In this Section 7(a)(12), time shall be of the essence.

(b) BY MICROSOFT. Microsoft hereby represents and warrants to StarTek as follows:

(1) Microsoft has the full and exclusive right and power to enter into and perform according to the terms of this Agreement;

(2) Microsoft has and will have, at all relevant times, sufficient rights in the Products to grant StarTek the rights granted in this Agreement;

(3) that at all times relevant to this Agreement, Microsoft will keep any and all license agreements with third parties relevant to the reproduction and manufacture of the Products in force and in good standing; and

(4) that any and all software and Intellectual Property provided by Microsoft to StarTek for incorporation into the Products will be EXPORTABLE into the countries where Microsoft requests it be delivered.

(c) DISCLAIMER OF WARRANTY. THE WARRANTIES SET FORTH IN SECTIONS 7(a) AND 7(b) ABOVE ARE THE ONLY WARRANTIES MADE BY THE PARTIES AND ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, OR STATUTORY, INCLUDING BUT NOT LIMITED TO IMPLIED WARRANTIES OF MERCHANTABILITY AND/OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE PRODUCTS.

8. INDEMNIFICATION.

(a) INDEMNITY.

(1) BY STARTEK. StarTek agrees to hold harmless and indemnify Microsoft, its subsidiaries and affiliates, and their respective directors, officers, and employees, from and against any and all claims, suits, actions, proceedings, or liabilities of any kind, including reasonable attorneys fees and expenses associated therewith or with

successfully establishing the right to indemnification hereunder, which arises out of or is connected with this Agreement, except to the comparative extent such claims, suits, actions, proceedings or liabilities result from the fault, negligence, or willful acts of Microsoft. StarTek shall further hold harmless and indemnify Microsoft from and against any and all claims, suits, actions, proceedings, or liabilities of any kind, including reasonable attorneys fees and expenses incurred in connection therewith or with successfully establishing the right to indemnification hereunder, which arise out of (i) the breach or alleged breach of any representation, warranty or agreement made by StarTek in this Agreement, or (ii) the breach or default by StarTek in the performance of any obligation to be fulfilled by StarTek under this Agreement.

(2) BY MICROSOFT. Microsoft agrees to hold harmless and indemnify StarTek, its subsidiaries and affiliates, and their respective directors, officers, and employees, from and against any and all claims, suits, actions, proceedings, or liabilities of any kind, including reasonable attorneys fees and expenses associated therewith or with successfully establishing the right to indemnification hereunder, which arises out of or is connected with any claim that, if true, would constitute a breach of Microsoft's representations and warranties set forth in Section 7(b) above.

(b) SURVIVAL. StarTek and Microsoft agree that the indemnities set forth in this Section 8 shall survive and shall be enforceable beyond the termination or completion of this Agreement.

(c) LIMITATION ON LIABILITY. STARTEK'S TOTAL LIABILITY AS TO MATTERS ARISING UNDER THIS AGREEMENT SHALL BE LIMITED TO THE LESSER OF * OR *, WITH THE EXCEPTION THAT STARTEK'S LIABILITY SHALL BE UNLIMITED AS TO: (i) ANY INDEMNIFICATION OBLIGATION FOR PERSONAL INJURY, DEATH OR PROPERTY DAMAGE TO THE EXTENT SUCH CLAIM IS BASED UPON STRICT LIABILITY, NEGLIGENCE, GROSS NEGLIGENCE, INTENTIONAL ACT OR OTHER FAULT OF STARTEK OR ITS SUBCONTRACTOR(S); (ii) ANY MATTER ARISING UNDER SECTIONS 9 OR OF THIS AGREEMENT; (iii) FOR THE COST OF REPLACING PRODUCTS AND ASSOCIATED TRANSPORTATION COSTS OF ANY PRODUCT RECALL; (iv) ANY FAILURE TO RETURN ANY DELIVERABLES AS IS OTHERWISE PROVIDED FOR IN THIS AGREEMENT; OR (v) ANY COPYRIGHT, PATENT, TRADEMARK OR TRADE SECRET INFRINGEMENT(S) (ALL OF THE FOREGOING BEING COLLECTIVELY REFERRED TO AS THE "STARTEK EXCLUDED MATTERS"). MICROSOFT'S TOTAL LIABILITY AS TO MATTERS ARISING UNDER THIS AGREEMENT SHALL ALSO BE LIMITED TO THE LESSER OF * OR *, EXCEPT FOR ANY MATTERS ARISING UNDER SECTION 9 OF THIS AGREEMENT. EXCEPT WITH REGARD TO STARTEK EXCLUDED MATTERS (WHICH TERM FOR THE PURPOSES OF THIS SENTENCE SHALL NOT INCLUDE ANY LIABILITY AS TO RECALL), NO PARTY HERETO SHALL BE LIABLE TO ANOTHER FOR ANY INDIRECT, CONSEQUENTIAL, PUNITIVE OR INCIDENTAL DAMAGES ARISING OUT OR RELATED TO THIS AGREEMENT. THE PARTIES ACKNOWLEDGE THAT THE OTHER PROVISIONS OF THIS AGREEMENT RELY UPON THE INCLUSION OF THIS SECTION 8(c).

9. CONFIDENTIALITY.

(a) GENERAL. Each party expressly undertakes to retain in confidence the terms of this Agreement and the Agreement itself, along with all information and know-how transmitted to or otherwise received by each party that the disclosing party has identified as being proprietary and/or confidential or that, by the nature of the circumstances surrounding the disclosure, ought in good faith to be treated as proprietary and/or confidential (collectively, "Confidential Information"), and will make no use of such Confidential Information except under the terms and during the existence of this Agreement. Notwithstanding the foregoing, any party may disclose the terms of this Agreement to its outside legal and financial advisors with whom such party has a confidential relationship and who are obligated to retain such information in confidence, in the ordinary course of business. In addition, no party shall have an obligation to maintain the confidentiality of information that (i) it received rightfully from an unaffiliated third party prior to its receipt from the disclosing party; (ii) the disclosing party has disclosed to an unaffiliated third party without any obligation to maintain such information in confidence; or (iii) is independently developed by the obligated party. Further, each party may disclose Confidential Information as required by governmental or judicial order, provided such party gives the disclosing party prompt written notice prior to such disclosure, and complies with any protective order (or equivalent) imposed on such disclosure, and provides the disclosing party the option of either seeking a protective order or having its Confidential Information be subject to the same protective orders as may apply to information of the party subject to the governmental or judicial order. No party shall disclose, disseminate or distribute any other party's Confidential Information to any third party without the other's prior written permission. Each party's obligation under this Section 8 shall extend to the earlier of such time as the information protected hereby is in the public domain through no fault of the obligated party or five (5) years following termination or expiration of this Agreement. Each party shall take all reasonable steps to ensure that their employees (and in the case of StarTek, also its subcontractors) comply with this Section 9(a).

(b) OWNERSHIP RIGHTS. Both parties agree that each has and shall retain ownership rights to its own Confidential Information and that upon completion or termination of this Agreement and request from the other party, each party will return the other's Confidential Information regardless of the media in which it is stored. For Microsoft, Confidential Information at least and specifically includes, but is not limited to: * Notwithstanding the foregoing, if as a result of StarTek's performance of the Services, StarTek enhances or improves Microsoft Customer lists, such enhancements or improvements shall be the sole property of Microsoft. Both parties agree to return all Confidential Information including, but not limited to, records released to either party for marketing and distribution services, to either party immediately upon either party's written request, and upon termination or expiration of this Agreement.

(c) INJUNCTIVE RELIEF. Both parties acknowledge that unauthorized disclosure or use of Confidential Information could cause irreparable harm and significant injury which may be difficult to ascertain. Accordingly, both parties agree that the aggrieved party will have the right to seek and obtain injunctive relief from breaches of this Agreement, in addition to any other rights and remedies it may have.

(d) FACILITY TOURS. Microsoft acknowledges that customers and potential customers of StarTek may tour the Facility. Microsoft agrees that any casual viewing during such a tour of Products that Microsoft has already commercially released does not violate Section 9(a) above. *. In the event that Microsoft reasonably believes that additional security measures are necessary, Microsoft will notify StarTek, and the parties will implement additional mutually agreeable security procedures for so long as necessary.

10. RISK OF LOSS.

(a) GENERAL. Risk of loss for all Consigned Inventory, Inventory, Deliverables, Products, Finished Product Units, and Microsoft property which are the subject of this Agreement, together with all Product Components (including the associated Raw Materials), shall remain with StarTek except as otherwise provided in this Section 10. StarTek shall take all reasonable precautions to protect Microsoft property against loss, damage, theft or disappearance while in its care, custody or control.

(b) TRANSIT RISKS. Risk of loss for Product(s) or Product Components in transit shall remain at all times with StarTek unless and until acceptance of Finished Product Units is made by a Microsoft or Customer directed carrier.

(c) ON PREMISES RISK. StarTek shall be responsible for all risk of loss or damage to all Microsoft property while located at StarTek's or its subcontractor's facilities. StarTek shall be responsible for the full amount of the loss or damage and shall reimburse Microsoft for such loss or damage. Reimbursable amount for any loss or damage shall be as set forth in Section (d) below.

(D) REIMBURSABLE AMOUNT. StarTek shall reimburse Microsoft for any loss or damage to Finished Product Units as follows:

(1) StarTek shall reimburse Microsoft for the * as established by Microsoft for any loss or damage to Finished Product Units, except loss or damage resulting from (i) theft; (ii) mysterious disappearance; (iii) StarTek's negligence or willful acts; or (iv) Shortage (as defined below) in excess of *. The * variance will be calculated as defined in the Statement of Work Metrics Reporting attachment;

(2) StarTek shall reimburse Microsoft for * as established by Microsoft for any loss to Finished Product Units resulting from (i) theft; (ii) mysterious disappearance; (iii) the negligence or willful acts of StarTek; or (iv) Shortage (as defined below) in excess of *.

(e) PROTECTION OF MICROSOFT INTELLECTUAL PROPERTY. StarTek shall ensure that the Intellectual Property provided by Microsoft to StarTek or its Microsoft-approved subcontractor in accordance with this Agreement is retained and held by StarTek or its Microsoft-approved subcontractor in such a manner as to prevent its unauthorized use. Without limiting the generality of the foregoing, StarTek shall ensure that the Media is *. For purposes of this Section, (a) "Intellectual Property" shall mean any and all trademarks, copyrights, patents and other proprietary rights comprising or encompassing a given Product, (b) "Product" shall mean those Microsoft products, including without limitation, any associated documentation and packaging that StarTek or its Microsoft-approved subcontractor manufactures pursuant to the Agreement, and (c) "Media" shall mean the media upon which the Intellectual Property is stored, including, but not limited to, electronic and physical artwork files, PID files and labels, labels and label art, CD serialization files and lables, film, all software media on disk, CD-R masters, CD-ROM masters, glass masters, stampers and electronic files.

Obsolete Media shall be destroyed to prevent unauthorized use in the following manner:

(1) StarTek shall verify that CD stampers *.

(2) CD-R masters shall be *.

(3) Electronic media and artwork files shall be *.

(4) Printed materials shall be *.

(5) Label printing ribbons shall be *.

Product obsolescence and the corresponding Media destruction shall be coordinated through the Microsoft Vendor Account Manager. Physical destruction of the Media shall either be witnessed by Microsoft personnel or certified in writing by StarTek.

(f) SHORTAGE. StarTek shall be liable for and shall reimburse Microsoft for any Product(s) that is unaccounted for ("Shortage"), when such Shortage exceeds *, calculated as shown in Exhibit __, as reported in the * build reports provided to Microsoft, or as determined upon physical inventory/audit conducted pursuant to Section 12 of this Agreement. "Shortage" shall be include *.

(g) SALVAGE. At all times, and regardless of whether StarTek or its insurers are required to compensate Microsoft for property losses as provided for in this section, Microsoft shall retain sole rights to salvage for damaged Products. StarTek shall not surrender damaged goods to carriers, insurers, other parties or for destruction or disposal without first obtaining the written consent of Microsoft.

(h) *

11. TERM AND TERMINATION.

(a) DURATION. The term of this Agreement shall commence on the Effective Date and continue until * (the "Initial Term"), unless terminated earlier as provided below. Upon expiration of the Initial Term, this Agreement shall automatically renew for successive * terms (each a "Renewal Term") at the then-current pricing, unless either party notifies the other party of its intent not to renew by providing the other party with written notice not less than * prior to the expiration of the Initial Term or any subsequent Renewal Term.

(b) EARLY TERMINATION AND DEFAULT. Microsoft may terminate this Agreement immediately upon notice if StarTek: (i) fails to strictly comply with Section(s) 5 or 9 of this Agreement, (ii) makes or attempts to make an assignment in violation of Section 16(a) of this Agreement, or (iii) experiences an Insolvency Event of Default, as defined below. In addition to the foregoing, Microsoft or StarTek may terminate this Agreement without cause with * notice in writing. The rights and remedies provided herein to the parties shall not be exclusive and are in addition to any other rights and remedies provided by law. In the event a non-defaulting party in its discretion elects not to terminate this Agreement, such election shall not be a waiver of any claims of that party for a default(s). Further, the non-defaulting party may elect to leave this Agreement in full force and effect and to institute legal action against the defaulting party for specific performance and/or damages suffered by such party as a result of the default(s). For purposes of this Agreement, an "Insolvency Event of Default" shall be deemed to have occurred in the event the applicable party fails to formally dismiss the Insolvency Event of Default within * after commencement of any of the following proceedings: (v) any party admits in writing its inability to pay its debts generally or makes a general assignment for the benefit of its creditors; (w) a proceeding is instituted, voluntarily or otherwise, by or against any party seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement adjustment or composition of it or its debt, which is not dismissed within *; (x) a proceeding is instituted against any party seeking to appoint a receiver, trustee or similar official for it or for any substantial part of its property; (y) a party ceases to pay its debts as they become due; or (z) any party becomes Insolvent, as defined elsewhere herein.

Notwithstanding the foregoing, Microsoft may, at its sole discretion, immediately terminate this Agreement if, due to StarTek's lack of diligence, StarTek engages in or permits its subcontractor(s) to engage in the unauthorized replication and/or distribution of Product(s). StarTek will diligently attempt to prevent any unauthorized replication and/or distribution of Product(s) by StarTek employees or any subcontractor and will cooperate fully with Microsoft to that end. Microsoft may, at its sole discretion, immediately terminate StarTek's right to subcontract the replication and/or assembly of Product(s), in accordance with Section 6 of this Agreement, if Microsoft determines that StarTek's subcontractor is or has been involved in the unauthorized replication and/or distribution of Product(s) or any third party products.

(c) OBLIGATIONS UPON TERMINATION/EXPIRATION OF THIS AGREEMENT. Within *, or earlier as noted, after termination or expiration of this Agreement, StarTek shall do all of the following:

(1) deliver to Microsoft any Finished Product Units built against a Microsoft purchase order, but not yet delivered, at the Prices set forth in Exhibit C. StarTek shall destroy all other Finished Product Units and shall, upon request of Microsoft, issue a letter certifying that such destruction has taken place.

(2) StarTek shall, at Microsoft's election, either deliver to Microsoft or destroy any other unused Inventory (excluding Finished Product Units), as designated by Microsoft. Microsoft's payment obligation for such unused Inventory shall be in accordance with Exhibit C.

(3) Subject to payment as set forth in Exhibit C, StarTek shall, at Microsoft's request, provide Microsoft the opportunity to purchase any other Product Components owned by StarTek (excluding unused Inventory).

(4) StarTek immediately shall deliver to Microsoft any Microsoft Deliverables and any Confidential Information not covered by the foregoing. StarTek shall not retain any copy or original of any Microsoft Deliverable or Confidential Information in any way or form whatsoever.

StarTek shall work with Microsoft to terminate the Manufacturing and Supply and Services in an orderly manner in the event of the termination of this Agreement. Use of Intellectual Property in any manner by StarTek after expiration or termination of this Agreement for any reason, whether or not incorporated in Inventory, shall be deemed to be in violation of Microsoft's Intellectual Property rights and shall entitle Microsoft to have all remedies provided by law or equity (including injunctive relief); provided, however, this does not preclude StarTek from continuing to use Products properly acquired outside of this Agreement in accordance with the applicable license.

(d) EFFECT OF DEFAULT. If there is a Default, the parties shall have all rights and remedies provided in this Agreement or otherwise available under law as limited by this Agreement.

(e) SURVIVAL. Sections 2(d), 7, 8, 9, 12, 14 and 16(b) shall survive termination or expiration of this Agreement. With respect to tax matters, the provisions of Section 4(d) shall survive termination or expiration until the expiration of any applicable statute of limitations or extension thereof.

12. RECORD KEEPING AND AUDIT REQUIREMENTS.

(a) RECORD KEEPING REQUIREMENTS. During the term of this Agreement, StarTek agrees to keep all usual and proper production and delivery records and books of account and all usual and proper entries relating to StarTek's (and any subcontractor's) performance of this Agreement for a minimum period of * from the date they are created. StarTek agrees to keep all usual and proper tax records relating to StarTek's (and any Subcontractor's) performance of this Agreement for a minimum period of * from the date they are created. Such records, books of account, and entries shall be kept in accordance with generally accepted accounting principles.

(b) DOCUMENTATION. During the term of this Agreement, StarTek agrees to provide Microsoft with any and all information, as mutually agreed upon between the parties, that Microsoft determines necessary for tax compliance and statutory reporting purposes. The information required will include, but may not be limited to, the data shown on Exhibit E. Unless Microsoft indicates otherwise, StarTek shall provide such information in an electronic format, at an agreed upon quarterly deadline. Microsoft shall specify the data requirements and make every reasonable effort to assist StarTek in designing the report format. All information should be based on the Microsoft fiscal year-to-date basis. Such report shall also cover StarTek's subcontractor(s). Microsoft reserves the right to modify the form of such reports by providing StarTek with written notice of any such modifications.

(c) AUDIT. Notwithstanding the foregoing provisions, upon * written notice if Microsoft reasonably believes a breach is occurring under this Agreement (with such notice specifying the alleged breach) and otherwise upon reasonable notice as agreed upon between the parties (but in no event shall such reasonable notice exceed * and StarTek shall not unreasonably delay or withhold its agreement), Microsoft may cause an audit to be made of StarTek's (and any applicable subcontractor's) books and records, and/or an inspection of replication, assembly, and distribution locations, including the Facility, in order to verify StarTek's compliance with the terms of this Agreement and to verify financial reports issued by StarTek. This right of audit extends beyond the termination of this Agreement for a period of *. Any such audit shall be made by an independent certified public accountant selected by Microsoft (other than on a contingent fee basis) and/or a Microsoft internal audit team. Any audit and/or inspection shall be conducted during regular business hours at StarTek's (or any applicable subcontractor's) offices. StarTek agrees to provide Microsoft's designated audit or inspection team access to relevant StarTek records and all replication and/or assembly locations. Any such audit shall be paid for by Microsoft unless material discrepancies are disclosed. *. If material discrepancies are disclosed, StarTek agrees to pay Microsoft for the costs associated with the audit. No unauthorized duplication or replication of Product will be permitted. StarTek shall be liable for any Unaccounted Product discrepancies in excess of the Shortage allowance in an amount equal to *. "Unaccounted Product(s)" shall be defined as the number of Finished Product(s) Units that the audit and/or inspection determines have been replicated and assembled by StarTek and/or one of StarTek's subcontractors, but (i) have not been properly delivered in accordance with the terms of this Agreement, (ii) are not in StarTek's inventory, (iii) are not in transit in accordance with the terms of this Agreement; (iv) have not been properly destroyed at Microsoft's direction; (v) have not been otherwise accounted for as damaged or destroyed or lost by theft; or (vi) are not lost or damaged as a result of the negligence or willful acts of StarTek. StarTek shall also be liable for Unaccounted Products of its subcontractor(s). StarTek's obligation to pay Microsoft for Unaccounted Product(s) shall not be Microsoft's exclusive remedy and is in addition to any other rights and remedies Microsoft may have as provided by law or this Agreement.

(d) FACILITY INSPECTIONS. Microsoft may cause an inspection to be made, with at least * prior notice, of the Facility to verify that StarTek and/'or any subcontractor is providing Manufacturing and Supply and Services in compliance with the terms of this Agreement. Any inspection conducted pursuant to this Section 12(d) shall be conducted during regular business hours at the Facility. StarTek agrees to provide Microsoft's designated inspection team access to relevant records and the Facility. StarTek may designate a representative to accompany the inspector or inspectors, and it may reasonably restrict access from specific areas containing confidential information of StarTek or its other customers. If material discrepancies from the provisions of this Agreement are disclosed, StarTek agrees to implement agreed-upon corrective action. Nothing herein shall preclude Microsoft from exercising any other rights or remedies it has under law or other provisions of this Agreement.

(e) CONFIDENTIALITY. Notwithstanding the foregoing, StarTek may edit its books and records to protect confidential information of StarTek that is unrelated to the subject of a Microsoft record review, or to protect confidential information of StarTek's customers.

13. EXPORT RESTRICTIONS. StarTek shall comply with U.S. export laws and regulations. StarTek shall not, directly or indirectly, export, re-export or transmit any Product (or any part thereof), technical data, process, or service that is directly associated with a Product, to any country, person, entity, Customer or end-user subject to U.S. export restrictions, including but not limited to:

(a) any countries to which the U.S. has embargoed or that are subject to U.S. export restrictions (including, but not limited to, the Federal Republic of Yugoslavia (Serbia and Montenegro), Cuba, Iran, Iraq, Libya, North Korea, Sudan and Syria) or to any national of any such country, wherever located, who intends to transmit or transport the Product back to such country;

(b) any Customer or end-user whom StarTek knows or has reason to know will utilize them in the design, development or production of nuclear, chemical or biological weapons, or to any end-user who has been prohibited from participating in U.S. export transactions by any federal agency of the U.S. government;

(c) any other country to which such export of transmission is restricted by the export control laws and regulations of the United States, and any amendments thereof, without prior written consent, if required, of the Bureau of Export Administration of the U.S. Department of Commerce, or such other governmental entity as may have jurisdiction over such export or transactions; and

(d) any exportable product (or portions thereof) regulated under "Encryption Item (EI)" of the Export Administration Regulation (EAR, 15 CFR 730-744) of the U.S. Commerce Department, Bureau of Export Administration (BXA) outside the U. S. or Canada.

StarTek warrants and represents that neither the BXA nor any other U.S. Federal agency has suspended, revoked or denied its export privileges. StarTek shall comply with the published Microsoft Global Trade Compliance Programs. StarTek shall be responsible for acquiring program documentation and interacting with Microsoft to ensure its full and successful implementation. Microsoft will be responsible for communicating to StarTek any changes or updates to any of the published Microsoft Global Trade Compliance Programs and StarTek will be allowed appropriate time to implement the changes or updates. StarTek agrees that Microsoft may audit StarTek's compliance with the published Microsoft Global Trade Compliance Programs at any time, pursuant to Section 11 above.

14. NOTICES AND PRINCIPAL CONTACTS.

All notices, authorizations, and requests in connection with this Agreement shall be deemed given on the day they are sent by air express courier, charges prepaid; and addressed as follows:

STARTEK:	StarTek Inc. Attn: Mike Morgan 1205 H Street Greeley, CO 80631
Telephone:	970-346-5303
Fax:	970-353-7652
With a copy to:	StarTek General Counsel
Telephone:	
Fax:	
MICROSOFT:	Microsoft Corporation One Microsoft Way Redmond, WA 98052-6399 Attn: *
Telephone:	(425) 882-8080
Fax:	(425) 936-7329

With a copy to: Law & Corporate Affairs
Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399

Telephone: (425) 882-8080
Fax: (425) 936-7329

or such other person or address as each party, respectively, so designates by written notice to the other parties.

15. ENTIRE AGREEMENT AND MODIFICATIONS.

(a) ENTIRE AGREEMENT. This Agreement, including all exhibits hereto, constitutes the entire agreement between StarTek and Microsoft with regard to the subject matter hereof and merge all prior and contemporaneous communications. The Statements of Work, as may be modified pursuant to Section 14(b) below, is a part of this Agreement for all purposes.

(b) STATEMENTS OF WORK. The Statements of Work may be modified as follows: each modification must be approved by Microsoft and StarTek, and such approval must be documented with a confirming e-mail or other written communication between authorized representatives of the two parties. In addition, if Microsoft deems it necessary and appropriate, it shall prepare on a * basis an updated version of the Statements of Work incorporating all modifications made since the prior update and clearly setting forth the "Date of Revision" on the front page. Microsoft shall circulate each such update to StarTek. The most current revised version of the Statements of Work that has been circulated in this manner to the parties, together with subsequent modifications documented pursuant to this Section 15(b) shall constitute the Statements of Work for the purposes of this Agreement. StarTek shall maintain and make available to Microsoft upon request copies of all of its documentation regarding modifications to the Statements of Work. For purposes of this Agreement, references to Statements of Work includes any agreed modification even if prior to the quarterly incorporation of such changes.

(c) AMENDMENT. This Agreement may be amended only in writing signed by authorized representatives of both parties. Notwithstanding the foregoing, Microsoft reserves the right to change, by * prior notice to StarTek, any policies of Microsoft.

(d) OTHER. Except as provided in this Section 15, the provisions of this Agreement may be modified only by written instrument signed by duly authorized representatives of Microsoft and StarTek.

16. GENERAL.

(a) PROHIBITION AGAINST ASSIGNMENT. Except as expressly provided in this Section 16(a), no party may assign its rights or obligations under this Agreement (by actual assignment or by operation of law, including without limitation through a merger, consolidation, exchange of shares, or sale or other disposition of assets, including disposition on dissolution), without the prior written consent of the other party, which consent shall not be unreasonably withheld. Microsoft may, however, assign this Agreement to a Microsoft subsidiary without the consent of StarTek. Notwithstanding the foregoing, this is a contract for personal services and Microsoft relies upon the qualifications, reputation and expertise of StarTek to perform all obligations hereunder. In particular, Microsoft relies upon StarTek's history of performance over more than * of operation,

(b) CONTROLLING LAW. This Agreement shall be construed and controlled by the laws of the State of Washington, and StarTek consents to jurisdiction and venue in the state and federal courts sitting in the State of Washington. Process may be served on any party in the manner set forth in Section 13 for the delivery of notices or by such other method as is authorized by Washington law or court rule.

(c) NO PARTNERSHIP/JOINT VENTURE/AGENCY/FRANCHISE. This Agreement shall not be construed as creating a partnership, joint venture, employer-employee or agency relationship or as granting a franchise.

(d) SEVERABILITY. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid or unenforceable, the remaining provisions shall remain in full force and effect.

(e) ATTORNEYS' FEES. If any party employs attorneys to enforce any rights arising out of or relating to Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees, costs and other expenses.

(f) WAIVER. No waiver of any breach of any provision of this Agreement shall constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver shall be effective unless made in writing and signed by an authorized representative of the waiving party.

(g) SECTION HEADINGS. The Section headings used in this Agreement are intended for convenience only and shall not be deemed to supersede or modify any provisions.

(h) GOVERNMENTAL APPROVALS. Each party shall, at its own expense, obtain and arrange for the maintenance in full force and effect of any and all governmental approvals, consents, licenses, authorizations, declarations, filings, and registrations as may be necessary or advisable for the performance of all of the terms and conditions of this Agreement.

(i) FORCE MAJEURE.

(1) Except as otherwise provided in this Section 16(i), neither party shall be in default by reason of any failure in performance of this Agreement, if such failure arises out of causes beyond the control and without the fault or negligence of the involving party including, but not restricted to, acts of God, acts of the Government, fires, floods, epidemics, quarantine restrictions, strikes, lock-outs, freight embargoes and unusually severe weather. This Section shall also apply to StarTek's contractors where a contractor's failure arises out of the same causes, except insofar as StarTek could have reasonably been expected to obtain contractor supply from alternate sources.

(2) StarTek shall give a written notice to Microsoft within * after StarTek becomes aware of any circumstances or event which may reasonably be anticipated to cause or constitute, or which constitute a force majeure as described in Section 16(i)(1), above. Such notice shall contain a detailed description of the delay and of the affected portion of the Agreement. Within a further * after such notice, StarTek shall deliver a detailed written description of the work-around plan, alternative sources, and any other reasonable means that StarTek shall, at its own cost, use to prevent such further delay.

(3) If the delivery of any Products shall be delayed by reason of force majeure for more than * beyond when delivery was scheduled, Microsoft may upon written notice to StarTek with respect to the undelivered Products, either terminate any or all this Agreement hereunder. In the event of such termination, the parties shall comply with their obligations as specified in Section 11.

(j) EXHIBIT(S). The following exhibits, as amended from time to time, are incorporated into this Agreement by this reference ("Exhibit(s)"):

EXHIBIT	DESCRIPTION
A	Statement of Work - Manufacturing
B	Statement of Work - Distribution
C	Component Pricing Matrix
D	Insurance
E	Required Tax Information
F	Approved Subcontractor List
G	Certificate of Material Destruction
H	StarTek Facilities
I	Subsidiary Agreement

All references to the "Agreement" are references to this Agreement and all Exhibits, all as amended from time to time. To the extent that any provision contained in any Exhibit is inconsistent or conflicts with this Agreement exclusive of the Exhibits, the provisions of this Agreement (exclusive of the Exhibits) shall control.

(k) PRESS RELEASES/PUBLICITY. StarTek shall not issue any new press releases or publicity that may relate or refer to this Agreement. Any press statements shall only be released by joint agreement of the parties, except as legally required by the SEC or NYSE. StarTek shall not use the name "Microsoft" or "Microsoft Corporation" in any advertisements. StarTek may, however, with the prior written consent of Microsoft, use the name "Microsoft Corporation" in brochures, written response to requests for client lists as part of Requests for Proposals, Requests for Information, etc. StarTek may also use the name "Microsoft" or "Microsoft Corporation" in verbal client presentations.

(l) INSURANCE. Prior to the commencement of the Manufacturing and Supply and Services to be performed hereunder and throughout the entire period of performance by StarTek, StarTek shall procure and maintain the insurance coverage set forth in Exhibit D. Such insurance shall be in a form and with insurers acceptable to Microsoft, and shall comply with the minimum requirements set forth in Exhibit D.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above. All signed copies of this Agreement shall be deemed originals.

MICROSOFT CORPORATION	STARTEK INC.
/s/ Nick Macfee	/s/ Michael W. Morgan
By	By
Nick Macfee	Michael W. Morgan
Name (Print)	Name (Print)
Vice President	President and Chief Executive Officer
Title	Title
August 4, 1999	July 20, 1999
Date	Date

State of Washington)
) ss:
County of King)

I certify that I know or have satisfactory evidence that _____________________________ is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the ________________________ of MICROSOFT CORPORATION to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: ______________

Notary Public

[Seal or Stamp]

[Printed Name]
My appointment expires

Colorado)
) ss:
County of Weld)

I certify that I know or have satisfactory evidence that Michael W. Morgan is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Chief Executive Officer of StarTek Inc. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: July 20, 1999

/s/ Ruth Jenkins

Notary Public

Ruth Jenkins

[Seal or Stamp]

[Printed Name]
My appointment expires May 17, 2001

EXHIBIT A

EXHIBIT A

*

STARTEK, INC. * STATEMENT OF WORK

For purposes of this exhibit, "Company" shall mean StarTek USA. All other capitalized terms not otherwise defined in this Exhibit shall have the same meaning as set forth in the Agreement to which this is an Exhibit.

1. GENERAL:

1.1 PURPOSE AND REQUIREMENT SCOPE

This document describes the requirements that the Company must meet as a manufacturer and service provider to Microsoft. The general requirements under this agreement are:

1.1.1 Source and procure raw materials in accordance with Microsoft specifications.

1.1.2 Build finished package product in accordance with Microsoft specifications in the quantities ordered by Microsoft pursuant to a Finished Goods Purchase Order.

1.1.3 Make Finished Product units available to a Microsoft designated distribution center or ship direct to designated Microsoft customers as requested.

1.1.4 Make Less Than Finished Goods components available to Microsoft at the locations specified in a Less Than Finished Goods Purchase Order.

1.1.5 Provide information regarding production and delivery as required.

2. SCOPE OF BUSINESS

Microsoft may elect to split the book of business between two or more companies.

3. FORECASTS

3.1 * ROLLING FORECAST:

Microsoft will provide a * rolling forecast for * for all Products anticipated to be built by the Company (reference attachment 1). This forecast may be used by the Company at the Company's discretion for planning and procuring raw materials. Microsoft may change the forecast up to the issuance of a frozen build signal, followed by a Microsoft Purchase Order, with no penalty or responsibility for any raw materials, Product Components, or Product acquired/built to such forecast, with the exception that certain long lead-time components may be procured in advance of the frozen build signal with agreement by the VAM.

3.2 MANUFACTURING SYSTEMS

The company shall perform procurement, scheduling and manufacturing activities on their own manufacturing system(s). Microsoft will not be responsible for providing the Company with any manufacturing system.

4. PURCHASE ORDER PROCEDURES

4.1 PURCHASE ORDERS (PO)

During the term of the Agreement, Microsoft will issue a * frozen build signal, in the form of an Excel spreadsheet, to the Company by * for Finished Product Units for * (reference attachment 2). * a PO will be issued that requires Finished Product Units to be prepared and delivered to a distribution center the * following the build * or direct to designated customers on a scheduled agreed to by Microsoft and the Company in advance of shipment. The purchase order will include but not be limited to the SKU, quantity, price and required delivery date. Microsoft may prioritize Products on the PO so Company will be able to build more urgent requirements first. The purchase order will officially authorize the Company to manufacture Microsoft Products. Microsoft accepts ownership and liability for only those quantities of raw materials purchased, and finished goods built, that meet the weekly frozen build signal, unless prior arrangements have been made in writing and agreed to by both parties.

4.2 Once Microsoft has issued a PO, Microsoft may change the build requirements or issue engineering change notices (ECN) corresponding to that PO, but raw materials procured by the Company to fulfill such PO, in accordance with section 4.1, that are left unused will be the responsibility of Microsoft. Company may charge Microsoft for the storage of any such unused raw materials remaining in Company's warehouse * days after fulfillment of the PO at the rate of *. Microsoft will reimburse Company for the cost of such raw materials if they remain unused. In order to be reimbursed by Microsoft, the Company must provide a raw material inventory age report for which Microsoft owns liability upon expiration of the * holding period. In case of an ECN that stops and/or starts a component, the Company must notify Microsoft of the related charges within * of the change order. Related charges will be tracked and reviewed at * management meetings. This notification must include the Microsoft ECN#, the component part number and the quantity that Microsoft is liable for. Microsoft will determine and communicate in writing whether or not to scrap any raw material or finished goods and reimburse the Company accordingly.

4.3 Microsoft intends to remit payment to the Company, * or via the auto voucher process, for all Finished Product Units upon receipt of the po quantity by the applicable distribution turnkey vendor ("DTV") or from another Microsoft-authorized entity in the event the shipment does not deliver to a DTV. All error-free invoices submitted by the Company will be paid within the payment terms of the Agreement. When invoice discrepancies are found, invoices will be immediately returned to the company for correction and re-submittal. Corrected invoices submitted to Microsoft must reflect a revised invoice date (not the original invoice date). It is in the Company's best interest to submit error-free invoices to Microsoft for prompt payment, as invoice errors will delay Microsoft payment to the Company. Microsoft will make payments for services in US dollars.

5. FINISHED GOODS TRANSACTION REPORT AND RECEIPTS

5.1 When production has been completed per the Microsoft Purchase Order, the Company must notify DTV of the completed Finished Product Units by sending an advance ship notice (ASN).

5.1.1 Company must notify Microsoft * of any inventory movements that may required inventory adjustments. Adjustments include but are not limited to quality issues, cycle count adjustments, rework, and site to site stock transfers.

6. PROCUREMENT

6.1 Company will be responsible for procuring all raw materials for assembly. Raw materials procured must meet Microsoft Global Quality specifications for Full Packaged Product (FPP). Microsoft may at times designate `Approved Subcontractors' for certain raw material components such as security components, third party pieces and hardware. Microsoft may at times supply raw material to the Company. The Company will be notified o the approved subcontractors. All raw materials that the Company procures are subject to audit at the Company's Facility for adherence to Microsoft Global Quality Standards for Full Packaged Product located on *.

6.2 PRE-PRESS WORK, ENGINEERING, AND DIE CHARGES

These are costs associated with the output of electronic files to plate ready film, color separations, proofs, prototypess, and die charges and are not to be calculated in the unit or component cost of the part. These are to be billed on a separate invoice to Microsoft noting the Microsoft part number to which the costs are related. Costs associated with frequently performed services such as outputting postscript files for manual text, preparing provided film for plate imposition etc. shall be charged *. Charges for other non-standard goods and services shall be billed * provided the Company can demonstrate that these charges are competitive for similar goods and services within the region.

7. SUBCONTRACTING

Any references to subcontractors in this Exhibit shall be subject to the requirements for subcontractors set for in the Agreement.

8. PRINTING

8.1 PROCURE

Company must be capable of procuring printed materials per Microsoft provided specifications and in quantities to meet Microsoft's finished goods production requirements and Less Than Finished Goods component order requirements.

8.2 PRINT SPECIFICATIONS

Printed materials must meet the quality standards and specifications identified in Microsoft Print Specification documentation and in the Microsoft Global Quality Standards. For ongoing business, the Company will access all required quality specifications using the Internet on *. From time to time printed samples may be requested. The Company must supply samples to Microsoft upon request.

8.3 MONITOR AND ORDER ARTWORK FOR PRINTING

It is the Company's responsibility to *.

8.3.1 IDENTIFY COMPONENTS

Company will pull a BOM from EDT based on demand seen in *of the *. Company will review the Microsoft BOM and determine whether or not artwork is needed.

8.3.2 TRACK COMPONENTS

Company must have an internal mechanism to track outstanding artwork and receipt dates for film. The purpose of the tracking mechanism is to proactively monitor whether outstanding artwork will impact Product builds. Company will provide a * report of all Microsoft film ordered and/or received in the previous *.

8.3.3 MONITOR MICROSOFT ARTWORK RELEASE

Company will receive * reports via email from Microsoft Product Information Release Services (PIRS). It is the Company's responsibility to monitor the * print release reports. These reports notify the Company that the *.

8.3.4 PULLING AND PREPPING ELECTRONIC FILES

Electronic files include but are not limited to 1-2 color print components, print specifications, film order forms and software images. It is the Company's responsibility to pull electronic files posted to EDT for parts required as soon as parts are released to EDT, or SKU demand is seen in * of the *, whichever is later. Electronic art files are to be sent to Company's supplier to be converted to bluelines as soon as they are pulled. Bluelines are to be sent to Microsoft or its designated art agency as defined on the Print Specifications documentation within * of pulling the electronic files from EDT. Blueline approval from Microsoft or its designated art agency is required before the component can be used in building Product.

8.3.5 ORDERING FILM

For film-based components (over 2 colors) it is the Company's responsibility to pull film order forms from EDT, complete all required information (film requirements, ship-to address, required delivery date, etc.) and send the order form via email directly to the designated film house.

Company must report all printed material discrepancies immediately to Microsoft through the *.

8.4 REGISTRATION/LICENSE CARD PRINTING

Company shall have the capability to have printed product part numbers, product ID numbers or other Microsoft identified information on Microsoft registration cards and Microsoft license agreements.

8.5 CD COMPONENT PRINTING

Company shall procure printed components included in replicated CD-ROMs. These components shall consistently meet the quality requirements of Microsoft CD ROM Quality Specifications found in the Microsoft Global Quality Standards. For ongoing business with Microsoft, the Company will access all required quality specifications in the *.

9. DISK DUPLICATION

Duplicated disks may be produced or procured by the Company, as set forth in the * PO.

9.1 DISK DUPLICATION CAPABILITIES

Company or Company's duplication subcontractor must be capable of duplicating diskettes in accordance with the requirements identified in Microsoft Global Quality Standards. Company or Company's duplication subcontractor duplication equipment must have the ability to control all aspects of the quality of the duplication process including image integrity, bit placement, window margin, and revolutions per minute (RPM) of the drive spindle.

9.2 DISK DUPLICATION QUALITY CONTROL

Company or Company's duplication subcontractor must have *. The * shall be used to ensure that the proper image is being duplicated.

9.3 DISK DUPLICATION PROCESS

Company or Company's duplication subcontractor must have:

9.3.1 A preventive maintenance program or backup subcontracting program in place capable of preventing disk duplicating delays for finished goods production.

9.3.2 A format training program in place for all duplication operators and support personnel.

9.3.3 A staff technically capable of supporting all of Microsoft's duplication requirements within the weekly production variability range.

9.3.4 A write and verify process for all duplicated Product.

9.3.5 The capability to utilize Microsoft * and other tools when necessary.

9.4 VIRUS PROTECTION

To ensure that every possible avenue to preventing Microsoft deliverable Product from being infected with a computer virus is pursued, Company shall implement the following:

9.4.1 *.

*:

9.4.1.1. *.

9.4.1.2. *.

9.4.1.3. *.

9.4.1.4. *.

9.4.1.5. *.

*.

9.5 DISKETTE QUALITY

Company or Company's duplication subcontractor must perform quality checks on duplicated disks. Diskettes shall be duplicated and verified in accordance with the Microsoft Floppy Diskette workmanship specification (S000257). Company must be capable of tracking and reporting duplication performance data.

9.6 CUSTOMER MASTER DISK HANDLING

Company or Company's duplication subcontractor must have the capability of receiving software master images *. Company or Company's duplication subcontractor shall ensure proper handling, storage, retrieval and control of the master disk(s) provided or created to ensure the integrity of the software images.

9.7 DISK COPY PROTECTION AND *

Company or Company's duplication subcontractor's disk duplication process must be capable of supporting disk copy protection and *.

9.8 DISK LABELING AND COLLATION

9.8.1 LABEL IMAGES

Microsoft will provide all label images *.

9.8.2 LABEL PRINTERS

Company or Company's duplication subcontractor shall print *.

9.8.3 LABELERS

Company or Company's duplication subcontractor's labeling equipment and/or procedures shall be capable of consistently meeting or exceeding Microsoft's label placement specification as described in the Microsoft Quality Specifications (*). For ongoing business with Microsoft the Company will access all required quality specifications using the Internet *.

9.8.4 COLLATION

Company or Company's duplication subcontractor shall have sufficient and appropriate process equipment to seal collated disk sets into polyvinyl bags. Company is responsible for ensuring that collation process for diskettes meets Microsoft Floppy Diskette workmanship specification (S000257).

10. CD AND DVD REPLICATION

CD's and DVD shall be procured by Company, as set forth in the * PO's for Product and for Less Than Finished Goods. Company or Company's CD subcontractor shall have documented processes and appropriate equipment to effectively produce CD-ROM's, DVD and associated CD components which consistently meet or exceed the requirements of the Microsoft Global Quality Specifications for CD ROM. Company's CD subcontractor agrees to perform all required maintenance on the equipment at its own cost. Company's CD subcontractor shall have a * to hold CD-ROMs and DVD and material until they can be rendered unusable or recycled. When Company procures CDs and DVD, the following apply:

10.1 CD ROM AND DVD PRODUCTION PROCESS

Company or Company's CD subcontractor shall have documented processes for the following:

10.1.1 Company's CD subcontractor shall have a preventative maintenance program in place capable of preventing delays for finished goods production.

10.1.2 Company's CD subcontractor shall have a formal training program in place for all CD and DVD operations (Premastering, Mastering, and Replication) and support personnel.

10.1.3 Company and Company's CD subcontractor shall have staffs technically capable of supporting all of Microsoft's CD and DVD requirements within the * production variability range.

10.2 HANDLING OF CD ROM AND DVD MASTERS

Company or Company's CD subcontractor shall have documented procedures in place, which ensure proper handling, storage, and retrieval of Microsoft supplied CD master files.

10.3 CD AND DVD ANTI-PIRACY *

Company or Company's CD subcontractor shall be capable of supporting Anti-Piracy initiatives and * applicable to CD-ROMs and DVD upon Microsoft request.

10.4 CD ROM AND DVD QUALITY CONTROL

Company or Company's CD subcontractor shall have a documented verification process in place to ensure the integrity of the replicated CD-ROM matches the original supplied by Microsoft. In addition, Company or Company's CD subcontractor of supply shall have documented and implemented processes to verify * parameters which ensure compliance to Microsoft Global Specifications. The Company will access all required quality specifications using the Internet on *. Company or Company's CD subcontractor must be capable of tracking and reporting CD quality data to Microsoft.

10.5 CD LABEL SCREEN PRINTING AND DVD PIT ART

Company or Company's CD subcontractor, should have a process to receive CD or DVD label images *. Process must be established to ensure the correct label image is applied to the correct CD or DVD title. Processes must prevent any CD's of DVD's used in the setup of the print processes *.

10.6 *

11. PRODUCTION

11.1 ASSEMBLY CAPABILITY

Company will establish and maintain an assembly process capable of producing sufficient quantities of Product that meet Microsoft's Purchase Order requirements, or minimum capacity, whichever is lower. If Microsoft demand exceeds the Company's capacity and subcontracting is necessary to meet this demand, Microsoft must be notified prior to proceeding with off-site builds. The Microsoft Global Quality Specifications for full packaged Products as stated in the * must be met.

11.2 *.

Company shall have the proper equipment to make *.

11.3 SHRINKWRAPPING

Company shall be capable of shrink-wrapping all sizes of Products, in accordance with *.

11.4 ASSEMBLY QUALITY

Company shall perform in-process and final verifications of assembled Products to ensure compliance to the Microsoft requirements and quality standards.

11.5 BUNDLING

Microsoft may notify the Company that a bundling operation is required and will provide Company with SKU number, quantity and specific bundling instructions. The Company shall provide the Microsoft Vendor Account Manager (VAM) with a * for the bundling effort within * in sufficient detail to allow Microsoft to perform an analysis of the major cost elements. The VAM will provide the Company with written authorization to proceed at the agreed upon price. The Company shall be responsible for bundling the Products in accordance with the Microsoft provided bundling instructions and submitting an invoice to the VAM at the agreed upon price. The Company may be required to purchase finished goods and/or raw materials from other Companies to fulfill the bundling requirement(s).

11.6 REWORK

Microsoft may notify the Company that rework is required and will provide Company with SKU number, quantity and requested completion date. The Company shall provide the Microsoft VAM with a * for the rework effort within *, in sufficient detail to allow Microsoft perform an analysis of the major cost elements. The VAM will provide the Company with written authorization to proceed at the *. The Company shall be responsible for reworking the Products in accordance with the Microsoft BOM and submitting an invoice to the VAM at the *. A touch is defined as one activity per component for pricing purposes.

11.7 ORDERS REQUESTED PRIOR TO NORMAL LEAD-TIME

There will be situations where Microsoft will request orders to be built in less than the normal * lead-time. (Please reference section 4.1 hereof). When Microsoft requests such an order, the Company will reply with at least but not limited to *. This will give Microsoft the opportunity to decide which option best suits the situation. These orders will be communicated to the Company by the Microsoft VAM in situations where faster Product deliveries are required due to urgent customer requests. The Microsoft VAM and Company shall mutually agree that the option taken is acceptable and the Microsoft VAM will provide authorization to proceed.

11.8 SCRAP PROCESS

Subcontractor must have written authorization from Microsoft VAM prior to scrapping and/or disposing of Microsoft finished goods or components (please reference attachment 3).

12. DELIVERY REQUIREMENTS

12.1 PREPARATION

The Company is responsible for delivering the Finished Product Units to the Distribution Center. This preparation includes ensuring that finished goods are correctly palletized, shrink-wrapped and ready for transit to the Distribution Center.

12.2 PALLET LOADING

The Company shall adhere to the Microsoft Global specifications for pallet configuration specifications when stacking Product.

12.3 FINISHED GOODS HANDLING

The Company shall have proper handling procedures for finished goods to prevent loss of damage between assembly and pick-up by the Distribution Center.

12.4 ADVANCE SHIPMENT NOTIFICATION

The Company is responsible for providing * to the Distribution Center.

12.5 SHIP DIRECTLY TO CUSTOMER

On regular basis, the manufacturing supplier will be requested to prepare Product for direct shipment to the distributor. The Company will invoice upon shipment. Upon doing any direct shipment, company will provide Microsoft with electronic notification containing all relevant shipment information.

13. REPORTING / COMMUNICATION REQUIREMENTS

13.1 MANUFACTURING DELAY

*

13.2 REPORTING

13.2.1 THE COMPANY SHALL PROVIDE:

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13.2.2 MICROSOFT SHALL PROVIDE

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14. QUALITY

14.1 ISO CERTIFICATION

Company shall remain ISO certified during the period of the Agreement.

QUALITY RECORDS

Company shall maintain records of inspection, repairs, reworks and tests for the term of the Agreement. Records shall be made available to Microsoft upon request.

14.3 *

14.4 *

14.5 *

15. CONFIGURATION MANAGEMENT

15.1 BOM'S AND CAD'S

Company will use Microsoft supplied Bills of Material (BOM's) and CAD's as a reference to ensure proper assembly of Product as specified in *. Company must inspect and approve all new releases and first time builds per first article process.

15.2 CHANGES TO BOM'S AND CAD'S

All changes to the configuration of Products will be managed through the Microsoft Configuration group. The Company must manage all resulting changes to Bills of Material accordingly. Company may make no changes to Product configuration or content without written authorization from Microsoft, however, Company is encouraged to suggest changes that *or the Product. Any discrepancies between Microsoft's BOM, CAD or Kit and Company's BOM shall be resolved prior to each build.

15.3 * RECORD RETENTION

Company shall maintain records of * used to assemble Product for the term of the Agreement. All records will be made available to Microsoft upon request.

16. INFORMATION TECHNOLOGY

16.1 INFRASTRUCTURE REQUIREMENTS

The Company Facility shall have an infrastructure capable of supporting a variety of data communications required to Manufacture Product. This includes the ability to connect to Microsoft's external network. External network connections will be used to transfer information about Product builds.

16.2 *

16.3 TECHNICAL PERSONNEL

The information technology requirements outlined above are deemed mission critical. The Company shall have in-house or readily available technical support at the Company's primary facility. These Company personnel will work with Microsoft personnel to ensure that the site is properly set up to communicate with Microsoft. Microsoft will work with the Company to establish competency with any non-commercially available Microsoft-specific software that may be used in the operation. Company will be responsible for on-going training of replacement or additional personnel used to support the operation.

16.4 DATA EXCHANGES

Data exchanges will be required throughout the term of the Agreement. Exchanges will occur primarily through *, and may include, but are not be limited to, * and routine information required to Manufacture Product.

16.5 SYSTEM ALTERNATIVES

Microsoft may wish to employ any or all of the following system alternatives:

o *
o *
o *
o *

16.6 *

17. MANAGEMENT

17.1 MEETINGS AND REVIEWS

Company will meet with designated Microsoft team members at least * for * business reviews. These meetings will include a Company performance review, pricing reviews, continuous improvement projects, management status reviews, cost reduction initiatives and other operational areas and issues. * business reviews (*) may be held at Company's facility, Microsoft's facility or by video teleconference (VTC).

17.2 RISK MANAGEMENT

Comprehensive Outsource Risk Evaluation (C.O.R.E) is a Microsoft tool which is used to assess the Company's performance and ability to meet or exceed Microsoft customers expectations. Company will agree to participate in a risk management program to ensure Product availability. StarTek North America will on occasion be requested to provide information that will be used as input to the C.O.R.E. tool. Microsoft will share the results of the C.O.R.E *.

17.3 METRICS

Microsoft may request that certain metrics be captured and reported on a * basis.

18. MICROSOFT GLOBAL SPECIFICATIONS

Microsoft Global Specifications for Retail Full Packaged Products include Workmanship and Engineering Specifications. For ongoing business with Microsoft, the selected Company(s) will access all required quality specifications using the Internet on *. Workmanship and Engineering Specifications are available online at *. Changes to * will be communicated to the Company as revisions occur.

19. ATTACHMENTS

The following Microsoft documents, which may be modified by Microsoft from time to time, are hereby incorporated as part of this SOW in Exhibit J:

ATTACHMENT NUMBER	ATTACHMENT NAME
1	* Forecast
2	Frozen Build Signal *
3	Procedure for Destruction/Scrap
4	Approved Suppliers for COA and CD-Rom/DVD
5	Metrics Reporting for Inventory Shrinkage

20. COMMON MICROSOFT ACRONYMS:

o	ASN	Advance Ship Notice
o	ASAP	As soon as possible
o	BOM	Bill of Materials
o	CAD	Computer Aided Drawing
o	COGS	Cost of Goods Sold
o	CSP	Customer Service Pack's
o	DC	Distribution Center
o	DMF	Distributed Media Format
o	*	*
o	*	*
o	ECD	Engineering Change Date
o	ECN	Engineering Change Notice
o	ECR	Engineering Change Request
o	EDI	Electronic Data Interchange
o	EDT	Electronic Delivery Tool
o	FINOPS	Financial Operations
o	ISO	International Organization of Standards
o	ITG	Microsoft Information Technology Group
o	LTFG	Less Than Finished Goods
o	MLP	Microsoft License Pack's
o	*	*
o	*	*
o	NDA	Non-Disclosure Agreement
o	PDM	Product Data Manager
o	PID	Product Identifier
o	PO	Purchase Order
o	PST	Pacific Standard Time
o	*	*
o	RMA	Returned Merchandise Authorization
o	SOW	Statements of Work
o	UPC	Universal Product Code
o	VAM	Vendor Account Manager

EXHIBIT B

STATEMENT OF WORK - DISTRIBUTION

EXHIBIT B

*

STARTEK, INC. * STATEMENT OF WORK

1.0 GENERAL

1.1 PURPOSE AND REQUIREMENT SCOPE

This document describes the requirements that the Company must meet as a logistics provider to Microsoft. The general requirements under this agreement are:

1.1.1 Store varying quantities of finished goods until needed for shipment, including providing variable amounts of storage to meet the requirements of inventory build-ups during certain times of the year.

1.1.2 Meet the information systems needs of Microsoft.

1.1.3 Build and distribute mixed pallets and retail display units for merchandising and promotion purposes and provide other value-added services as requirements emerge.

1.1.4 Provide appropriate systems competency and agree to work with Microsoft to modify warehousing and transportation systems to adapt to changing or emerging business requirements.

2.0 MICROSOFT CONTACTS

For further information regarding this Statement of Work (SOW), please contact the Sr. Turnkey VAM.

3.0 NON-DISCLOSURE AGREEMENT

The information contained within this Statement of Work, the actual contract, and any other information relating to this project provided to you by Microsoft is considered private and confidential and subject to the "MICROSOFT CORPORATION STANDARD NON-DISCLOSURE AGREEMENT". This information may only be discussed between principals of your company and Microsoft, and those transportation and warehouse companies necessary to successfully complete this project. In addition, any information you provide to Microsoft pursuant to this agreement shall be considered private and confidential and subject to the attached "MICROSOFT CORPORATION STANDARD NON-DISCLOSURE AGREEMENT".

4.0 DEFINITIONS

4.1 COMPANY OPERATIONS INFORMATION

Product will be built and shipped to the Company from several contract manufacturers. The Company will potentially ship to * locations in the United States and Canada *. Average shipment size to Microsoft's channel customers will be approximately *. The majority of the shipments will be *. In general, the Company must have the following capabilities:

4.1.1 CAPACITY AND EQUIPMENT

Company must provide facility capacity, equipment, and staff to receive and ship finished goods within the established timelines. The Company must process orders, pick and ship to meet established shipping schedules for major customers and provide a forty eight (48) hour turnaround on all other shipments. Equipment needed includes, (but is not limited to) fork lifts, pallet wrappers, pallet jacks, storage racks, etc.

4.1.2 STORAGE CAPACITY

Storage capacity to store up to * of finished goods on an on-going basis with a * of up to *. New product launches may occur at any time during the year and may require additional storage space on a temporary basis. Seasonal buildup of inventory for consumer products will typically occur in *. It is expected that the provider maintain relationships to provide additional space when required. *

4.1.3 INVENTORY ACCURACY

Maintain 100% inventory accuracy. Differences greater than * between book and physical inventories found during cycle counting must be * reported, explained and adjusted.

4.1.4 PICK OPERATIONS

Capability of picking between *, preparing shipments for outbound transportation including stretch wrapping, labeling pallets and printing pallet level packing slips.

4.1.5 ORDER PROCESSING TURN-AROUND

Company must be able to ship orders within * of receipt, if required. Typical turn-around requirements will be *, however, in order to meet customer shipping schedules with cost effective transportation.

4.1.6 TRANSIT TIMES TO CUSTOMERS

The location of the facility is to be *.

4.1.7 SYSTEMS SUPPORT

A fully competent transportation and distribution system which can *. Agreeing to work with Microsoft to implement system modifications to adapt to changing business requirements is essential.

4.1.8 RE-PACKING CAPABILITIES

Re-packing operations must be available in the event that orders are placed in less than master pack quantities. Company must have suitable boxes, packing material, and taping devices to handle less than masterpack shipments, and the labor on hand to perform the packing in all phases of this project.

4.1.9 * AND * SHIPPING

Volumes may dictate * shipping and receiving availability at the Company facility, although it is anticipated these requirements may be very infrequent..

5.0 TRAFFIC SERVICES

The Company will dispatch shipments in accordance with Microsoft routing guidelines, *. The provider's Traffic staff should consult Microsoft's Transportation staff for determination on routings when the mode or service level requires clarification. The following details apply:

5.1 LAUNCH MODE

During product launches, Microsoft may require * shipments to meet customer needs. Spreadsheets with shipment details and routing instructions will be forwarded to the provider's Traffic staff for dispatch.

5.2 FREIGHT TERMS

Freight terms are transmitted via * for each order. Care must be taken to ensure proper routing of all shipments, whether prepaid or collect.

- o For all LTL shipments, Driver Load and Count (DL &C) terms apply.

- o For truckload shipments there are 2 options, the load terms must be noted on the bill of lading.

- o Shipper Load and Count (SL&C)

- o Shipper Load and Driver Count (SL & DC)

5.3 CARTON COUNT

Using DL&C and SL&DC terms, the Carrier representative must count and sign for the number of cartons picked up. The number of pallets may be noted on the bill of lading, but the driver must sign for the number of cartons (except under SL&C terms).

5.4 BLOCKING, BRACING AND SEALING

Carrier must supply proper blocking and bracing, and utilize airbags when feasible, to ensure loads stay intact and do not fall over or become damaged in transit. The provider is responsible for ensuring that product is properly blocked and braced before carriers leave the dock. All truckload shipments must be sealed with heavy-duty seals before leaving the premises. For multi-stop truckload shipments, provider must supply additional seals to secure the load after each stop.

5.5 TRUCKLOAD CARRIER FREE TIME FOR LOADING

Truckload carriers free-time for live-loading is * from the time of scheduled appointment.

5.6 CONSOLIDATED SHIP SCHEDULE

Allocations for major customers may be dispatched based on the consolidated ship schedule issued by Microsoft's Transportation staff. Regional consolidations of multiple LTL shipments into multi-stop truckload shipments should be made when possible to speed transit and minimize freight cost. Microsoft's Traffic staff is available for consultation regarding routings and appropriate combinations.

5.7 BILL OF LADING PREPARATION

Proper bills of lading must be filled out and supplied to carriers, including all information to ensure billing and shipment rating. All bills of lading must show "Microsoft c/o Startek" as the shipper. The provider must be capable of providing information about a particular bill of lading *. Requests for copies of bills of lading must be addressed within *.

- Bills of lading for truckload shipments must be notated to show the loading terms - *

- All bills of lading must show *. For air freight shipments using a manual airway bill, *.

- All bills of lading must detail *.

5.8 DAILY SHIPMENT CONSOLIDATIONS

The Company is responsible for consolidating all replenishment packslips * into a single customer shipment and generating one bill of lading per customer *. The exceptions to this rule will occur *. In these situations, separate bills of lading must be provided.

5.9 RATING SHIPMENTS

The *. A rate matrix will be supplied for truckload rates. A * will be provided by Microsoft for rating all shipments not rated by the vendor's host computer. Provider should use the gross weight of the shipment to rate the bill of lading and should pro-rate per packing slip using the gross charges. Microsoft may also choose to employ the provider to *.

5.10 SHIPMENT CONFIRMATION

The provider must provide * confirmation and transmission of all completed shipments via *. Standard expectation is that shipments will be confirmed within *. A manual backup plan must be available in the event that the transmission system goes down, or trained personnel are not available. Care must be taken to ensure confirmation accuracy, including changes in SCAC codes. Key metrics will be reviewed each * for accuracy of bill of lading number, freight rating, carrier coding, carton count accuracy, and * confirmations.

5.11 TRANSPORTATION COSTS

Freight expenses for all prepaid shipments are billed directly to Microsoft by the carrier. To ensure proper application of rates, all bills of lading for prepaid shipments must show the shipper as "*". Microsoft may also choose to employ the provider to secure the carriers and provide Microsoft with line item freight invoicing

5.12 CANADA DOCUMENTATION

Copies of each bill of lading, airway bill and consolidated bill of lading must be faxed to Microsoft for completion of Customs Documentation by *.

5.13 WEEKEND AND AFTER HOURS TRANSPORTATION

Carriers will be selected that have weekend pick-up and delivery capabilities to support rare occasions when pick-ups and deliveries are required on weekends.

5.14 SMALL PACKAGE TRANSPORTATION EXPENSES

A copy of the daily UPS (small package) manifest and manifest summary must be forwarded to Microsoft no less than *.

5.15 CLAIMS LIABILITY

On all outbound LTL and TL prepaid shipments to customers, released value of * (unless otherwise stated). Freight claims are filed by Microsoft.

5.16 DOCUMENTATION REQUESTS

Requests for copies of packing slips and bills of lading for tracing and claims preparation must be faxed to Microsoft within *.

6.0 FINISHED GOODS RECEIVING

6.1 FINISHED GOODS RECEIVING PROCEDURE

Mutually agreed upon finished goods receiving and quality verification procedures must be followed. These procedures may vary depending on the source of the inventory being received. Microsoft personnel will work with the provider to clearly outline requirements.

6.2 PICK-UP TIMING

Finished goods must be system received real-time at the Company distribution site making inventory immediately available for shipment to Microsoft's customers. During * or when shipping *, Microsoft may request * on receipts. As a rule, finished goods should be put away into allocable locations within * of receipt.

6.3 HANDLING BILLING AND CHARGES

The preferred method for handling charges is a one-time receiving/shipping handling fee per case accumulated and charged at the end of the month.

6.4 LOT CONTROL

Provider must be capable of receiving, storing and shipping inventory using a lot controlled system. The ability to receive and consolidate partial receipts (i.e. lots of 1,000 units coming in off of purchase orders of 10,000 units) is desired. The ability to provide Microsoft with specific lots of inventory shipped to customers is essential.

7.0 STORAGE

Finished goods inventory will be shipped from Microsoft manufacturing facilities to the Company distribution site *. This inventory will be stored by the Company for an unspecified amount of time before being shipped to customer sites, although Microsoft will attempt to turn inventory on all SKUs as quickly as possible. The following are the storage requirements:

7.1 DOUBLE STACKING

In the absence of pallet racking, pallets may be double stacked during storage. The exception to this rule would be short-term overstock situations where express consent is provided by the Microsoft Vendor Account Manager. Pallets will be placed in * to allow systematic allocation of specific inventory.

7.2 PALLET DIMENSIONS

Standard GMA four-way 40" wide x 48" long pallets, not exceeding 52" in height including pallet height will be used. Maximum weight will not exceed 2,400 pounds.

7.3 LIABILITY AND INSURANCE

The Company will assume contractual liability against all loss and damage during storage and will pay Microsoft for *. Overages remain the property of Microsoft. Company will maintain insurance coverage as specified in the contract.

7.4 SEPARATE INVENTORY

*. During temporary storage situations, the Microsoft Vendor Account Manager may approve *. These situations are expected to be extremely rare.

7.5 INVENTORY CYCLE COUNTING

Cycle counts must be performed on a daily basis, with all SKUs and storage locations counted at least monthly. Discrepancies must be resolved * period to maintain * inventory accuracy by location. Discrepancies in excess of * must be * reported to Microsoft and reconciled. A * cycle count report should be available to Microsoft on request.

8.0 DISTRIBUTION SERVICES

Bulk distribution order drops from Microsoft will occur *. The provider's system will receive transactions and will be required to location assign picks and handle all subsequent functions required in order to send Microsoft a completed transaction via * after order shipment. There may be times when immediate order drops will be made to meet customer shipping requirements. These may or may not be made via *. The following are requirements for distribution services:

8.1 ORDER CYCLE

Orders must be shipped to meet required shipping schedules or delivery appointments. This may require * for some portion of the total daily order transmission.

8.2 * AND * SHIPPING

* shipping hours may be required due to volumes or special customer requirements. Microsoft will work with the provider to keep these situations to a minimum.

8.3 FINISHED GOODS SHIPPING PROCEDURES

Mutually agreed upon finished goods shipping and quality verification procedures will be followed. Shipping of split case quantities will be required, particularly in the prepaid order business.

8.4 STORE LEVEL DISTRIBUTION

It is very possible that *. This will mean *. Store level pick and pack operations that will include split case picking, special labeling * and associated *, and package transportation capabilities may be required.

8.5 PALLET AND DISPLAY BUILDS

The Company must be able to build mixed SKU pallets as well as multi-product displays from standing inventory. Other value added services such as bundling products and light re-work will also be performed at the provider's site.

8.6 PALLET STRETCH-WRAPPING

Finished goods must be securely stretch-wrapped to the pallets, with a minimum of 3 wraps around the bottom (including to the pallet) and wrapped continuously around the pallet, finished by three around the top. Mechanical wrapping devices are preferred as they provide a more secure wrap.

8.7 PALLET LABELING AND PACK SLIP

Proper labeling of pallets will include *. Each pallet must have a computer generated packing list detailing those products and quantities contained on that pallet.

8.8 VOLUMES

The Company may be responsible for volumes up to *. On average, this location is expected to ship * which would equate to approximately * with an average case value of *. Month to month volumes could range from a low of * to a high of *, both with an average case value of *. Product launches will drive the bulk of the variability and Microsoft and the provider must ensure solid communication regarding upcoming requirements.

8.9 SHIPMENT ATTRIBUTES

Based on historical data, the average channel shipment size is * built onto * with an average weight of *. The average number of lines, which represents individual SKUs per packing slip, has been *. It should be noted that shipment sizes vary across a wide range and the numbers above represent *. Up to * packing slips will be printed daily. Due to inventory situations and customer ordering patterns, it is not unusual to see large numbers of shipments in less than pallet quantities. If store level distribution is required in the future, all of the averages presented here will change and a new Statement of Work will be issued outlining the detailed business requirements.

9.0 SYSTEMS

Microsoft's long term interests will be best served with standard * possibly supplemented by *, throughout the day. As previously mentioned, Microsoft and the provider must be willing to co-participate in modifications to the provider's system to adapt to changing business requirements.

Microsoft may wish to employ any or all of the following system alternatives:

o *

o *

o *

o *

The following sections describe Microsoft's current systems environment and the required information exchanges.

9.1 *

9.2 *

9.3 *

9.4 *

9.5 *

9.6 INVENTORY SYSTEM REQUIREMENTS

Key items include lot control, the ability to track inventory lots by date received/moved and work order number, and the ability to designate individual pallet locations as being on hold.

RATES AND FEES

*

Invoices will be submitted to Microsoft for volume based on Microsoft's *

EXHIBIT C

PRICE AND PAYMENT TERMS

EXHIBIT C

COMPONENT PRICING MATRIX

PRICING AND PAYMENT TERMS FOR MANUFACTURING STATEMENT OF WORK

PRICE AND PAYMENT TERMS OF PRODUCT COMPONENTS

1.0 During the term of this Agreement, Microsoft will issue * Purchase Orders (P.O.'s) for Finished Product Units to StarTek. All receipts to the P.O. entered by the Shipping Location will be paid via *, which will result in the issuance of payment.

2.0 For each P.O. issued under this Agreement for Product Components, Microsoft agrees to pay StarTek a per Product Component price (e.g., per each Jewel Case Component ordered) to be calculated as follows:

*

*
*
*

3.0 *

Definitions:

*

*

*

PRICE AND PAYMENT TERMS FOR PRODUCT COMPONENTS
*

*

4.0 StarTek may be required to produce Product Components for new Microsoft Product SKUs at any time during the term of this Agreement. Pricing for any such Product Components will be determined by using the formula set forth in Section 2 above. StarTek agrees to make all reasonable effort to provide Microsoft with Product Component pricing for new Microsoft Product SKUs within * of receiving the Microsoft Product SKU specification and BOM information from Microsoft.

5.0 From time to time BOM changes occur that may add or delete components from the Microsoft Product SKU. These additions or deletions to the Microsoft Product * shall be reflected accordingly in the material and labor *.

PRICE AND PAYMENT TERMS FOR ASSEMBLY SERVICES

1.0 If assembly services are ordered as part of the P.O., each P.O. so issued shall require delivery of the finished Products within * of the Frozen Build Signal. StarTek will build and ship according to the Shipping Location identified on the P.O.

2.0 For the assembly of the Product CD ROMs, Disk Set Component, Jewel Case Component, and the Assembled Box Component into a finished Product including shrink-wrap, Microsoft agrees to pay StarTek for materials and labor on a * for each Unit Delivered to be calculated as follows

*

*

EXHIBIT D

INSURANCE

This Exhibit "D" is a continuation of that certain Microsoft Manufacturing and Supply and Services Agreement dated _______________ between Microsoft Corporation ("Microsoft") and StarTek Inc. ("StarTek"). Capitalized terms not otherwise defined in this Exhibit shall have the same meaning as set forth in the Agreement to which this document is an Exhibit.

1. INSURANCE

Prior to the commencement of the work to be performed hereunder and throughout the entire period of performance by StarTek, StarTek shall procure and maintain insurance coverage as will reasonably respond to claims and liabilities that StarTek may encounter in the course of its business. Such insurance shall be in a form and with insurers acceptable to Microsoft, and shall comply with the following minimum requirements:

1.1 INSURANCE FOR LOSS OR DAMAGE TO PROPERTY. StarTek shall maintain policies of insurance covering loss or damage to Products and any Microsoft property in its possession or control, including but not limited to loss or damage that results from the fraudulent, dishonest, or criminal acts of StarTek, its subcontractors, or employees of StarTek and its subcontractors. Such policies shall be written with insurers and on policy forms reasonably acceptable to Microsoft and shall provide limits adequate to cover the Full Value of Product(s) at risk, and proceeds of such policies shall be payable in *. For purposes of this Exhibit, "Full Value" shall be defined as *. StarTek shall cause its insurers to endorse the policies as follows:

a) Microsoft shall be named as loss payee to the extent of Microsoft's interest in Product(s),

b) coverage provided by the policy shall be primary to and not contributory with coverage maintained by Microsoft,

c) rights of subrogation against Microsoft are to be waived, and

d) such policy may not be canceled or materially altered to the detriment of Microsoft without * advance notice to Microsoft.

Coverage under this policy shall provide the broadest protection available at reasonable cost.

Upon request StarTek shall provide Microsoft with a current certificate of insurance and certified copies of policy endorsements evidencing compliance with the requirements set forth in this section.

1.2 COMPREHENSIVE GENERAL LIABILITY. StarTek shall obtain and maintain a policy of "general", "public", or "commercial" liability insurance written on an "occurrence form" with limits of not less than * each occurrence for bodily injury and property damage. The policy shall provide coverage for worldwide defense, premises and operations, contractual liability (including specifically the insurable contractual liability assumed in this Agreement), and products and completed operations.

StarTek shall also obtain and maintain a policy of "general", "public", or "commercial" liability insurance written on an "occurrence form" with limits of not less than * each occurrence for bodily injury and property damage. Such policy shall provide coverage for defense, premises and operations, contractual liability (including specifically the insurable contractual liability assumed in this Agreement), and products and completed operations.

1.3 WORKERS' COMPENSATION. StarTek shall at all times comply to the full extent with the Worker's Compensation Act of 1985, reenactments thereof, and any regulations made thereunder.

1.4 EMPLOYERS LIABILITY. StarTek, in addition to complying with the provisions of section 1.3 above, shall maintain coverage for employers liability with a policy limit of not less than *.

1.5 CERTIFICATES OF INSURANCE. Upon request by Microsoft, StarTek shall provide to Microsoft certificates of insurance evidencing full compliance with the insurance requirements contained herein. Such certificates shall be kept current throughout the entire period of performance, and shall provide for at least * advance notice to Microsoft if the coverage is to be canceled or materially altered so as not to comply with the foregoing requirements.

Failure by StarTek, to furnish certificates of insurance or failure by Microsoft to request same shall not constitute a waiver by Microsoft of the insurance requirements set forth herein. In the event of such failure on the part of StarTek or its subcontractors to provide the certificates as required herein, Microsoft expressly reserves the right to enforce these requirements, and in the event of liability or expense incurred by Microsoft as a result of such failure by StarTek or any subcontractor, StarTek hereby agrees to indemnify Microsoft for all liability and expense (including reasonable attorney's fees and expenses associated with establishing the right to indemnity), incurred by Microsoft as a result of such failure by StarTek or its subcontractors.

EXHIBIT E

REQUIRED TAX INFORMATION

During the term of this Agreement, StarTek agrees to provide Microsoft with such information, as mutually agreed upon between the parties, that Microsoft determines necessary for tax compliance and statutory reporting purposes. Such information shall include, but may not be limited to the following:

A listing of all transactions, showing for each invoice:
- Invoice Number
- Date of Invoice
- Purchase Order Number(s)
- Total Charges Before *
- *
- Total Amount Due

The data provided in electronic format should agree with the information shown on actual invoices issued to Microsoft.

If there are any transactions that are exempt from *, such transactions should be reported separately (but the information required will still be listed as set forth above, except that * will be *).

EXHIBIT F
APPROVED SUBCONTRACTOR LIST

EXHIBIT F

APPROVED SUBCONTRACTOR LIST

There are no approved subcontractors as of July 1, 1999.

EXHIBIT G

CERTIFICATE OF MS MATERIAL DESTRUCTION

By signatory exercise of this Exhibit G, StarTek asserts that it has fulfilled its obligations under Section 2(h) of the Agreement (Safe Storage and Security) by destroying, or having destroyed by a Microsoft authorized StarTek Sub-contractor, all Microsoft material in its possession or under its control.

COMPANY asserts that the MS Material was destroyed in its entirety at the location cited below:

Site

Address

Destruction Date

If COAs, list part number and number range.

IF MS Material, list specifics, including all quantities.

If MS Product, list Product Category, Language, Dialect, and Item/Number, including all quantities.

COMPANY Officer's authorized signature:

- ---
By (Sign)

- ---
Name (Print)

- ---
Title

- ---
Date

Exhibit to __________________________ Agreement dated ________________, between MS and COMPANY.

EXHIBIT H

STARTEK FACILITIES

EXHIBIT H

STARTEK MANUFACTURING AND DISTRIBUTION FACILITIES

*

*

EXHIBIT I

SUBSIDIARY AGREEMENT

For good and valuable consideration, ______________________________, a corporation of ("StarTek Subsidiary") hereby covenants and agrees with Microsoft Corporation, a Washington, U.S.A. corporation that StarTek Subsidiary will comply with all obligations of StarTek, Inc., a corporation of Colorado ("StarTek") pursuant to that certain Manufacturing and Distribution Agreement between Microsoft and StarTek dated _________________________ (the "Agreement").

StarTek Subsidiary acknowledges that its agreement herein is a condition for StarTek Subsidiary to exercise any of the rights sub-licensed by StarTek to StarTek Subsidiary pursuant to the terms of the Agreement.

Capitalized terms used herein and not otherwise defined shall have the same meaning as in the Agreement.

IN WITNESS WHEREOF, StarTek Subsidiary has executed this agreement as of the date set forth below. All signed copies of this Agreement shall be deemed originals.

- --
(StarTek Subsidiary)

- --
Signature

- --
Name (Print)

- --
Title

- --
Date

EXHIBIT J

ATTACHMENTS

ATTACHMENT 1

SAMPLE OF * FROZEN FORECAST

*

2

ATTACHMENT 2

SAMPLE OF FROZEN BUILD SIGNAL *

*

3

ATTACHMENT 3

PROCEDURE FOR DESTRUCTION/SCRAP

Circumstances may arise which require the destruction of Raw Material or Finished Product. These include but are not limited to:

1. Microsoft requesting destruction for a specific need.

2. StarTek requesting destruction for a raw material (excluding consigned hardware) which has exceeded * storage.

3. Either party requesting destruction for a material that has damage or quality defects making it unusable.

Once the request for destruction has been approved by Microsoft, destruction shall take place in accordance approved procedures and Exhibit G shall be completed by StarTek and sent to the Microsoft Vendor Account Manager.

The cycle time from approval to completion of destruction will normally be one week, unless alternate arrangements have been made in email.

ATTACHMENT 4

APPROVED SUPPLIERS FOR COA AND CD-ROM/DVD

AS OF JULY 1, 1999

*
*

*
*

ATTACHMENT 5

METRICS REPORTING FOR INVENTORY SHRINKAGE

The calculation that is used to determine inventory accuracy is included below.

Calculation 1- *

Inventory adjustments are defined as *.

EXHIBIT 10.26

PORTIONS OF THIS EXHIBIT MARKED WITH AN "*" HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

MICROSOFT IRELAND OPERATIONS LIMITED
MANUFACTURING AGREEMENT

THIS MICROSOFT IRELAND OPERATIONS LIMITED MANUFACTURING AGREEMENT (the "Agreement") is made and entered into as of February 1, 1999 (the "Effective Date"), by and between MICROSOFT IRELAND OPERATIONS LIMITED, a limited liability company incorporated in Ireland with registered number 256796 and whose principle place of business is at Blackthorn Road, Sandyford Industrial Estate, Dublin 18, Ireland ("MICROSOFT") and STARTEK EUROPE. ("StarTek").

RECITALS

WHEREAS, MICROSOFT and StarTek intend to create a formal relationship by which StarTek shall provide certain manufacturing services with respect to orders for Microsoft software products.

WHEREAS, the parties intend in this Agreement to set forth specific terms and conditions governing the performance of certain manufacturing services by StarTek for MICROSOFT; and

NOW, THEREFORE, in consideration of the covenants and conditions set forth below, the adequacy of which is agreed to and hereby acknowledged, the parties agree as follows:

AGREEMENT

1. DEFINITIONS.

The following terms, whenever initially capitalized, shall have the following meanings for the purposes of this Agreement:

(a) "BOM" shall mean the bill of materials document provided by MICROSOFT to StarTek, which bill of materials identifies all components comprising a given Product or Product Component. BOMs may be modified in writing prospectively from time to time by MICROSOFT at its sole discretion.

(b) "CUSTOMERS" shall mean customers designated by MICROSOFT, including MICROSOFT internal customers and distribution vendors, to whom MICROSOFT authorizes StarTek to deliver Product pursuant to the terms and conditions of this Agreement and the Statement of Work.

(c) "DELIVERABLES" shall mean and include all code material, source material, software masters or replicative material or other such documented material, of any kind or description and in any form including compact disk, other disks or diskettes, tape, text or any electronic or other medium supplied by MICROSOFT or at its direction. It does not include such materials if held under an independent contractual relationship with an OEM (original equipment manufacturer) which contract contains the requisite license. Nor does it include Products acquired for office purposes and used by StarTek in its offices.

(d) "FACILITY" shall mean the manufacturing facility operated, owned, subcontracted or leased by StarTek at *.

(e) "FINISHED PRODUCT UNIT" shall mean fully packaged Microsoft Product, which includes all requisite Product Components and Microsoft software, ready for delivery to a Customer.

(f) "INSOLVENT" shall mean a financial condition such as to make the sum of a party's debts greater than all of the party's assets, at fair valuation; or, when a party has incurred debts beyond that party's ability to pay such debts as they mature; or, when a party is engaged in a business or transaction for which the party has unreasonably small capital.

(g) "INTELLECTUAL PROPERTY" shall mean any and all trademarks, copyrights, patents and other proprietary rights comprising or encompassing a given Product.

(h) "INVENTORY" includes Finished Product Units, work in process, Product Components or raw materials pertaining to the Products that contain Microsoft software, trademarks, copyrighted material, logos or other proprietary materials.

(i) "MANUFACTURE" OR "MANUFACTURING" shall mean the manufacture and supply of Product Components and assembly of Products as described in the Statement of Work.

(j) "PRODUCTS LIST" shall mean a list provided to StarTek by Microsoft from time to time that will list the Products to be manufactured by StarTek pursuant to the terms of this Agreement.

(k) "MICROSOFT AUTHORISED REPLICATOR" shall mean an authorised replicator of the Products, Products Components and associated Product material components (including without limitation, Microsoft registration card, Microsoft certificate of authenticity, a Microsoft end user license agreement, Microsoft manuals, cartons, labels, software distribution media etc.), with whom MICROSOFT has entered into a replication agreement (a "MICROSOFT Replication Agreement") (which Agreement is still subsisting), as notified to StarTek by MICROSOFT from time to time and who carries out replication services for and on behalf of StarTek pursuant to a written agreement between StarTek and such authorised replicator.

(l) "PRODUCT(S)" shall mean the copyrighted and/or patented Microsoft software products, including Product Components, Microsoft software, and any associated documentation, packaging and other written materials, including, where applicable, the specified user documentation, which MICROSOFT may request StarTek to Manufacture pursuant to this Agreement, by the issuance of a purchase order.

(m) "PRODUCT COMPONENTS" shall mean each individual component listed on a BOM as comprising a Product, such as, for example, disks, polyvinyl disk baggies, documentation, boxes, retail package shrink wrap, or retail bar-code labels.

(n) "SERVICES" shall mean the manufacturing services to be performed by StarTek under this Agreement and any Statement of Work.

(o) "STATEMENT OF WORK" shall mean the attached Exhibit A, including any modifications made thereto pursuant to Section 15(b).

(p) "TERRITORY" shall mean the European Community.

2. MANUFACTURING AND SERVICES.

(1) GENERAL. StarTek hereby agrees to Manufacture Products on the Products List at the Facility pursuant to the terms and conditions set forth in this Agreement, including without limitation, the Statement of Work. StarTek shall not conduct Manufacturing at or from any location other than the Facility without MICROSOFT's prior written approval. In the event of any conflict between the terms contained in this Agreement and terms contained in the Statement of Work, the terms contained in this Agreement shall control.

(2) OTHER MANUFACTURING/SERVICES. In addition to Manufacturing services, the parties may identify other manufacturing and/or services to be provided under this Agreement through an addendum signed by the parties hereto.

(3) INVENTORY. All of the Inventory shall at all times be held exclusively for assembly and delivery to Customers within the Territory as authorized by MICROSOFT (or as otherwise authorized by

MICROSOFT in writing) and for no other purpose, use or disposition, except as may be directed in writing by MICROSOFT. StarTek shall at all times cause the Inventory to be free and clear of any and all liens, encumbrances and other claims of its creditors. StarTek grants MICROSOFT the option, assignable to any affiliated corporation, to acquire by purchase all of the Inventory (less Finished Product Units which have already been purchased by MICROSOFT) upon * notice, and payment as would apply for unused Inventory in the case of termination as stated in Section 12, at the price set forth at in Exhibit B. At any time, upon MICROSOFT's request, StarTek shall take all necessary steps and shall execute such documents as may be necessary or advisable under the local law where the Inventory is located, in order to effect the sale of such Inventory to MICROSOFT and to document MICROSOFT's title to Inventory owned by MICROSOFT. Use of Intellectual Property in any manner by StarTek after expiration or termination of this Agreement for any reason, whether or not incorporated in Inventory, shall be deemed to be in violation of MICROSOFT's Intellectual Property rights and shall entitle MICROSOFT to have all remedies provided by law or equity (including injunctive relief); provided, however, (i) this does not preclude StarTek from continuing to use in its offices Microsoft Products legally acquired for that purpose; and (ii) it does not preclude StarTek's performance of independent contractual relationships with MICROSOFT or an OEM (original equipment manufacturer) or other party, which contract contains the requisite Microsoft product replication license.

(4) AGREEMENT NOT TO SELL. StarTek acknowledges that, under the terms of this Agreement, that both during and after the term of this Agreement it has no rights within the licenses pertaining to software or other Microsoft proprietary materials or Products which would allow StarTek to be a seller or distributor of any Products. Whenever requested by MICROSOFT and from time to time, it will sign separate mutually acceptable agreements to this effect.

(5) SAFE STORAGE *. StarTek agrees not to store any other goods near or in such relation to the Products or Product Components as to cause injury to those Products or Product Components through contamination by strong odors, leakage, or otherwise. *

(6) NON-EXCLUSIVITY. StarTek's engagement under this Agreement is not exclusive as to any type of service, Product, customer or prospective customer or any geographic area. StarTek acknowledges and agrees that MICROSOFT makes no representation or commitment that the scope of level of services or other terms and conditions for any one turnkey manufacturer will be the same as or similar to any of them for any other MICROSOFT turnkey manufacturer in any respect and that StarTek is entering into this Agreement without any expectation of any such similar or same treatment. StarTek further acknowledges that MICROSOFT reserves to itself the right to manufacture Products and/or Product Components. In the event that MICROSOFT manufactures Products and/or Product Components which StarTek is authorised or required to manufacture pursuant to this Agreement and any Statement of Work then StarTek, if so required by MICROSOFT shall purchase from MICROSOFT such part of its requirements of such Products and/or Product Components as is notified to StarTek by MICROSOFT. In such case, the terms applicable to the supply by MICROSOFT of such Products and/or Product Components, including any amendments to the terms of this Agreement, shall be documented in a separate agreement between MICROSOFT and StarTek.

(7) COMBINING SERVICES. In the event that MICROSOFT at any time wishes to combine or centralise, through one or more MICROSOFT turnkey manufacturers or MICROSOFT, any services previously carried out by all or any other MICROSOFT turnkey manufacturers, including StarTek, StarTek shall provide all reasonable assistance and cooperation to MICROSOFT for the orderly and timely combination or centralisation of such services through such MICROSOFT turnkey manufacturers or MICROSOFT.

(8) FINANCIAL INFORMATION. Within * after StarTek learns that it has become or will become Insolvent, StarTek shall submit financial statements to MICROSOFT in sufficient detail to allow MICROSOFT to determine whether StarTek shall be capable of continuing to perform its obligations hereunder. The financial statements shall include, but shall not be limited to, balance sheets and related statements of income and retained earnings and statements of changes in financial condition. To the extent those statements are audited, the audit report of the certified public accountant performing the audit shall also be made available to MICROSOFT.

(9) RETURN OF DELIVERABLES. StarTek will have possession of Deliverables and replicable material for certain Products and other property for purposes of the replication to be done under this Agreement. Upon termination of this Agreement and at any early time whenever requested by MICROSOFT to do so, StarTek

shall immediately deliver, at MICROSOFT's cost, to MICROSOFT all of such Deliverables (provided that in no event shall such a request by MICROSOFT for StarTek's return of the Deliverables prejudice StarTek's right to full performance by MICROSOFT under this Agreement), replicable materials and all and any other Microsoft proprietary materials ever received by it and it shall not retain any copy or original of the same in any way whatsoever.

(10) QUALITY REQUIREMENTS. StarTek shall ensure that in performing its obligations under this Agreement, it shall operate in accordance with the quality guidelines as posted on Microsoft's Website, which can be found at * (the "Microsoft Website") and as set forth in the Statement of Work.

(11) PRODUCTION. StarTek covenants and agrees to meet MICROSOFT's demands for Product related to the Territory, as such demands may be adjusted from time to time. Additional measurement procedures may be implemented as mutually agreed upon by MICROSOFT and StarTek.

(12) NON-CONFORMING PRODUCT. StarTek shall promptly replace and deliver, within * from notification, at no charge to MICROSOFT or its Customers, any non-conforming Product if any delivery of Product, or any portion of it, to any Customer fails to meet the quality standards specified in the Statement of Work. In the event MICROSOFT determines that a Product recall is necessary due to a breach of StarTek's warranties hereunder, or due to a manufacturing defect, StarTek shall cooperate with MICROSOFT in all respects to conduct such recall at StarTek's expense; provided that if StarTek has given prior notice of the possible defect and recommended against delivery and the Product is nonetheless delivered at MICROSOFT's direction, or if the recall is necessary because of a MICROSOFT error, the recall on account of that defect shall be at MICROSOFT's expense, but StarTek shall still cooperate with it, and in such a case, MICROSOFT shall reimburse StarTek for the costs of Manufacturing the replacement Products.

3. PRICE AND PAYMENT.

(1) GENERAL. MICROSOFT and StarTek agree that StarTek shall be compensated for the Manufacturing services pursuant to the Price and Payment terms and conditions set forth in Exhibit B. MICROSOFT shall be liable for payment to StarTek for raw materials and Finished Product Units that have been purchased and/or built in support of the weekly purchase order(s) issued by MICROSOFT. StarTek will use all reasonable efforts to provide competitive pricing to MICROSOFT within the region. All payments due by MICROSOFT to StarTek under this Agreement shall be * from MICROSOFT's receipt of an invoice from StarTek.

(2) QUANTITY. The quantity of Product to be used in calculating MICROSOFT's obligation to pay StarTek with regard to any particular purchase order shall be the lesser of (1) the number of Finished Product Units delivered to a Customer in response to such purchase order, or (2) the quantity indicated on the original purchase order.

(3) COST CONTAINMENT. The parties agree that they will, in good faith, strive to contain and reduce Manufacturing costs where reasonable and without compromising Product quality standards.

(4) TAXES. In the event income taxes are required to be withheld by MICROSOFT on payments to StarTek required hereunder, MICROSOFT agrees to provide StarTek with reasonable notice in advance of the first such withholding, and MICROSOFT may deduct such income taxes from the amounts owed and timely pay such taxes, when required, to the appropriate taxing authority. MICROSOFT shall in turn promptly secure and deliver to StarTek an official receipt for any income taxes withheld. MICROSOFT agrees to pay all applicable goods and services or other applicable consumption taxes (other than income taxes) levied on it by a duly constituted and authorized taxing authority on the Manufacturing services. To the extent required by any such taxing authority, StarTek may collect such taxes, if any, from MICROSOFT, and, in such case, shall remit to MICROSOFT official tax receipts indicating that such taxes have been collected by StarTek and remitted to the appropriate tax authorities, to the extent such receipts are available, and StarTek shall show such taxes as separate line items on invoices to MICROSOFT. StarTek agrees to take such steps as are reasonably requested by MICROSOFT to minimize such taxes in accordance with all relevant laws and to cooperate with and assist MICROSOFT, in challenging the validity of any taxes applicable to the Manufacturing services and collected from MICROSOFT by StarTek or otherwise paid by MICROSOFT. Except as required by law or where expressly agreed

to, in writing, by MICROSOFT pursuant to Exhibit B, MICROSOFT shall not pay any taxes other than those described above, including, without limitation (1) taxes on or with respect to or measured by any net or gross income or receipts of StarTek, (2) any franchise taxes, taxes on doing business, gross receipts taxes or capital stock taxes (including any minimum taxes and taxes measured by any item of tax preference), (3) any taxes imposed or assessed for work performed without the written authorization by MICROSOFT after the date upon which this Agreement is terminated, (4) taxes based upon or imposed with reference to StarTek's real and personal property ownership, (5) taxes incurred by StarTek on all goods and services purchased from other related or unrelated parties, and/or (6) any taxes similar to or in the nature of those taxes described in (1), (2), (3), (4) or (5) above. StarTek agrees to make available to MICROSOFT any and all records necessary to comply with any and all tax obligations as provided herein, including but not limited to reports necessary for goods and services tax compliance and audit purposes. The contents and form of such reports shall be mutually agreed to between the parties.

(5) CURRENCY FOR INVOICING AND PAYMENT. StarTek shall invoice MICROSOFT for the Prices in *. All payments made by MICROSOFT to StarTek for Products delivered hereunder shall be in *. In computing the monthly payment due for Manufacturing services and in rendering invoices. * will be adjusted monthly based on *.

4. INTELLECTUAL PROPERTY RIGHTS, ETC.

(A) IMAGE AND IPRS. StarTek shall perform its obligations hereunder and conduct its business arising herefrom so as to protect and safeguard the image of MICROSOFT and the intellectual property rights owned by MICROSOFT and Microsoft Corporation and any of its or their affiliates and/or any of its or their licensors.

(B) Where, in connection with the provision of Services, StarTek has to develop a new IT system or, StarTek has to modify its existing IT system(s) so as to facilitate and accommodate such Services, such development and modification shall be done pursuant to a "Technical Design Document" which shall be prepared by StarTek on the basis of a MICROSOFT "Requirements Document". The "Technical Design Document" shall be subject to the approval of MICROSOFT prior to use. Ownership of the MICROSOFT "Requirements Document", shall vest in MICROSOFT and shall comprise "MICROSOFT Confidential Information" within the meaning of Section 9 and shall be treated accordingly. Ownership of the "Technical Design Document" and any software written by StarTek to implement same shall vest in StarTek and each shall comprise "StarTek Confidential Information" within the meaning of Section 9 and shall be treated accordingly.

(C) Where, as part of the Services, StarTek has to create and use a database, MICROSOFT shall own all data which is entered on such database by StarTek during the provision of the Services, but StarTek shall own all intellectual property rights otherwise subsisting in such created database. At its own expense, StarTek shall at the request at any time of MICROSOFT, whether before or after the termination of this Agreement or any Statement Of Work, furnish MICROSOFT forthwith with the data entered on such database in such format as MICROSOFT may specify to enable MICROSOFT to take data entered on the database and load it onto another database and StarTek shall cooperate fully with MICROSOFT in having such data loaded on such other database.

(D) RESTRICTED USE OF TRADEMARKS, LOGOS AND TRADENAMES. StarTek shall not use the name "Microsoft" or any other trademark or tradename or logo of MICROSOFT or Microsoft Corporation or any of its or their affiliates and/or any of its or their licensors otherwise than in connection with the Services and in accordance with this Agreement. StarTek is not entitled either by implication or otherwise to any title, right or interest in the trademarks, tradenames, logos or symbols of MICROSOFT, Microsoft Corporation or any of its or their affiliates or any of its or their licensors. StarTek agrees not to form a company, commercial organisation, firm or legal entity with a name incorporating as part of its name the word "Microsoft" or any similar word and not to apply for any registration of the word "Microsoft" or any similar word as a trademark.

(E) PERMITTED USE OF TRADEMARKS, LOGOS AND TRADENAMES. StarTek is granted permission to use, during the term of this Agreement, the trademarks, logos and tradenames and Microsoft * of MICROSOFT or Microsoft Corporation for the sole purposes of the Services and in accordance with this

Agreement. StarTek agrees to comply with all guidelines for the use of "Microsoft" trademarks, logos, tradenames and Microsoft * prescribed by MICROSOFT from time to time, and in particular but without limitation agrees to use the Microsoft *, trademarks, tradenames, logos and symbols of MICROSOFT, or Microsoft Corporation in all media and materials relating to the services together with an acknowledgement of ownership of relevant trademarks by MICROSOFT or Microsoft Corporation (as appropriate). The appropriate trademark symbol (either "TM" or "R" in a superscript following the product name) shall be used whenever the name of a Microsoft Product is first mentioned in any advertisement, brochure or other material circulated or displayed by StarTek.

(F) PROTECTION OF TRADEMARKS, LOGOS AND TRADENAMES. StarTek agrees to report to MICROSOFT as soon as possible after it comes to StarTek's notice, any suspected infringement of Microsoft certificates of authenticity, the "Microsoft" tradename or any tradenames, trademark, logo or symbol owned by MICROSOFT or Microsoft Corporation and any of its or their affiliates and/or any of its or their licensors.

(G) RESERVATION OF RIGHTS. Except as expressly granted by and in accordance with this Agreement, StarTek is granted no rights in relation to copyright or other rights of whatever nature subsisting in any Microsoft Product. All rights not expressly granted are expressly reserved by MICROSOFT.

(H) LIMITED LICENCE, REVERSE ENGINEERING, ETC. Any software, source code, Microsoft *, Microsoft * labels, replicating kits, CD masters, CD stampers, CD serialisation files and labels, all software media on disk, CD-R masters, CD-ROM masters, glass masters, electronic files, film masters, electronic and physical artwork files, PID files and labels, disk masters, label masters, label art, labels, user guide masters, packaging masters or other masters made available by MICROSOFT or Microsoft Corporation or any of its or their affiliates to StarTek and the intellectual property rights therein or relating thereto are and remain the property of MICROSOFT. StarTek is given a revocable non-exclusive limited licence to use the same solely for the purposes of performing the Services. StarTek shall not reverse engineer, decompile or disassemble any Microsoft Product except as expressly permitted herein or by law.

(I) NO DISTRIBUTION OF COUNTERFEITS. StarTek agrees it will not engage in the manufacture or use of counterfeit, pirated or illegal software; it will not knowingly engage in the distribution or supply or transfer of counterfeit, pirated or illegal software; and it will not knowingly supply any Microsoft Product to any dealer who engages in the use, manufacture, distribution or other supply or transfer of counterfeit, pirated or illegal software.

(J) ANTI-PIRACY EFFORTS. StarTek agrees to reasonably co-operate with MICROSOFT in the investigation of counterfeit, pirated or illegal software.

(K) PROTECTION OF MICROSOFT COPYRIGHTS. StarTek agrees to report to MICROSOFT as soon as possible after it comes to StarTek's notice, any suspected counterfeiting, piracy or other infringement of copyright in computer programs, manuals, marketing materials, Microsoft certificates of authenticity or other copyrighted materials owned by MICROSOFT, Microsoft Corporation and any of its or their affiliates and/or any of its or their licensors.

5. SUB-CONTRACTING.

(1) TO THIRD PARTIES. StarTek shall not subcontract any of its rights or obligations under this Agreement, with respect to the Services, except as follows:

(i) StarTek may only sub-contract the Services to such third parties as MICROSOFT shall first approve in writing on the basis that such sub-contractor must upon request by MICROSOFT, agree in writing to undertake the same obligations and/or abide by the same restrictions to which StarTek is subject under Sections 4 (IPR), 7 (Year 2000 Compliance), 9 (Confidentiality), 10 (Title), Exhibit C (Insurance and Risk of Loss) and 13 (Record Keeping; Record Review). If such sub-contracting relates to the purchase of Product Components, then StarTek may only sub-contract with a MICROSOFT Authorised Replicator;

(ii) Neither MICROSOFT, Microsoft Corporation nor any of its and/or their affiliates and its and/or their licensors shall have any liability to StarTek or otherwise in the event of the alteration or termination of any such relationship between the independent third parties concerned. StarTek shall indemnify MICROSOFT, Microsoft Corporation and any of its and/or their affiliates and its and/or their licensors against any claim, cost, liability, damages, expenses or proceedings brought against or incurred by MICROSOFT arising out of the alteration or termination of any such relationship to which StarTek is a party;

(iii) In the event that StarTek has entered into a sub-contract pursuant to Section 5(a) and Section 16(a), StarTek shall immediately notify MICROSOFT of the termination or expiration for whatever reason of such sub-contract, and shall at StarTek's expense recover and repossess any stocks of Products, Product Components and other MICROSOFT materials and goods including without limitation all replication lists and all CD masters, CD stampers, CD serialisation files and labels, all software on disk, CD-R masters, CD-ROM masters, glass masters, electronic files, film masters, electronic and physical artwork files, PID files and labels, disk masters, label masters, label art, labels, user guide masters, packaging masters or other masters, Microsoft certificates of authenticity, Microsoft certificate of authenticity labels, raw disks and source code in the possession or control of such sub-contractor.

(iv) In the event that MICROSOFT notifies StarTek of the termination or expiration for whatever reason of a MICROSOFT Replication Agreement, StarTek shall immediately cease to sub-contract in respect of the Services with the MICROSOFT Authorised Replicator in respect of which the MICROSOFT Replication Agreement has been terminated or has expired; and StarTek shall recover and repossess any stocks of Products, Product Components and other MICROSOFT materials and goods including without limitation all replication lists and all CD masters, CD stampers, CD serialisation files and labels, all software on disk, CD-R masters, CD-ROM masters, glass masters, electronic files, film masters, electronic and physical artwork files, PID files and labels, disk masters, label masters, label art, labels, user guide masters, packaging masters or other masters, Microsoft *, Microsoft * labels, raw disks and source code in the possession or control of such MICROSOFT Authorised Replicator

(v) StarTek guarantees its subcontractor's fulfillment of the applicable obligations imposed on StarTek by this Agreement;

(vi) StarTek shall indemnify, defend and hold MICROSOFT harmless for all damages and/or costs of any kind, including without limitation, those incurred by MICROSOFT and caused by a subcontractor and/or subcontractor's failure to fulfill the applicable obligations imposed on StarTek by this Agreement, including, but not limited to, StarTek's payment of any monetary judgments awarded to MICROSOFT by a court of competent jurisdiction and any costs and fees relating thereto, not paid by subcontractor, resulting from subcontractor's unauthorized replication and/or distribution of Product(s); and

(vii) Upon execution of this Agreement and thereafter prior to a subcontractor performing any Services under this Agreement, StarTek shall provide MICROSOFT with a written certification, signed by a StarTek officer, representing and warranting that StarTek is in compliance with the provisions of Section 6 of this Agreement; and

(viii) MICROSOFT, in its reasonable discretion, will provide an approved CD and * supplier list as seen in Exhibit F which may be updated by MICROSOFT from time to time. If a supplier used by StarTek as a subcontractor is removed from such list by MICROSOFT, MICROSOFT acknowledges that StarTek may not be able to immediately discontinue use of subcontractor. In such case, subject to other rights and obligations of enforcement as set forth in the Agreement, MICROSOFT and StarTek will mutually agree to a transition plan.

(2) RIGHTS PASS THROUGH. It is the intention of this section that StarTek be able to subcontract, provided StarTek fully maintains quality standards and protects MICROSOFT's property rights in MICROSOFT's Intellectual Property and Deliverables such that, in addition to MICROSOFT's recourse to StarTek under this Agreement, MICROSOFT shall also have rights enforceable directly against the subcontractor. The

responsibility and liability of StarTek under this Agreement is not diminished on account of any subcontract and StarTek shall be fully responsible for the subcontractor's performance and work.

(3) EXPORT RESTRICTIONS. StarTek hereby agrees that in subcontracting portions of the Services to third parties pursuant to Section 5(a) or (b) above, StarTek shall not, directly or indirectly, export or transmit (i) any Product Component, Product and/or technical data or (ii) any Product (or any part thereof), process, or service that is the direct product of a Product, to (a) any countries that are subject to U.S. export restrictions (including as of the Effective Date, but not limited to, the Federal Republic of Yugoslavia (Serbia and Montenegro), Cuba, Iran, Iraq, Libya, North Korea, Sudan and Syria); (b) any end-user whom StarTek knows or has reason to know will utilize such Product Component, Product and/or technical data in the design, development or production of nuclear, chemical or biological weapons; or (c) any other country to which such export or transmission is restricted by the export control laws and regulations of the United States, and any amendments thereof, without prior written consent, if required, of the Bureau of Export Administration of the U.S. Department of Commerce, or such other governmental entity as may have jurisdiction over such export or transactions, unless Microsoft specifically directs StarTek in writing to do so.

(4) ENFORCEMENT. StarTek agrees that it will diligently and timely enforce all rights against or obligations of any subcontractor(s) in order to enforce compliance with the applicable terms of this Agreement and/or to otherwise cure a subcontractor breach.

6. REPRESENTATIONS & WARRANTIES.

(A) BY STARTEK. StarTek represents and warrants to MICROSOFT as follows:

a) StarTek is a corporation duly organised and validly existing under the laws of * and has full capacity and authority to enter into this Agreement and to perform the Services required of it under this Agreement;

b) this Agreement has been duly and validly authorised, executed and delivered on behalf of StarTek and is a valid and binding agreement of StarTek enforceable in accordance with its terms and that neither the execution of this Agreement nor the performance of the Services required of it hereunder will constitute a breach of any agreement or arrangement to which StarTek is a party;

c) the Manufacturing, including any portion done by any subcontractor as contemplated in Section 5, will strictly comply with all applicable laws, as well as the terms and conditions of this Agreement, including without limitation the Statement of Work;

d) the Products (including the raw materials, reproduction quality, Product Components and Finished Product Unit quality) will satisfy the quality workmanship standards and service levels set forth in the Microsoft Website (*) and Statement of Work and StarTek shall further protect MICROSOFT's property rights in MICROSOFT's Intellectual Property and Deliverables from unauthorized use within the scope of this Agreement;

e) StarTek shall at all times comply with its commitments and obligations as stated in this Agreement;

f) StarTek's performance of Manufacturing, pursuant to the rights granted under this Agreement, does not infringe any third party's patent, copyright, trade secret and/or any other intellectual property right with respect to StarTek's replication, assembly, and/or distribution processes;

g) StarTek will, at all times relevant to this Agreement, keep any and all license agreement with third parties relevant to Manufacturing the Products in force and in good standing;

h) StarTek shall promptly replace, at no charge to MICROSOFT or the Customers, any non-conforming Products, and all transportation, customs, and/or taxes relating thereto, if any delivery of Products to MICROSOFT or Customers, or any portion of it, breaches any of the warranties of Section 6(a). In the event MICROSOFT determines that a Product recall is necessary, StarTek shall cooperate with MICROSOFT in all respects to conduct such recall at StarTek's expense, provided that if the recall is necessary because of a MICROSOFT error, the recall on the account of that defect shall be at MICROSOFT's expense, but StarTek shall still cooperate with it, and in such a case, MICROSOFT shall reimburse StarTek for the costs of producing and distributing the replacement Products;

i) that all services on its part to be performed under this Agreement will be performed with all reasonable skill and care by competent staff and in a timely manner. In addition to the foregoing, in the event that service levels are set out in any Statement of Work as to any particular services, StarTek undertakes to meet such service levels;

j) to ensure that all information received or generated through the Services (including without limitation about any Products or about potential or existing customers and their requirements) ("Data") is captured, processed and transmitted accurately by StarTek completely and in accordance with MICROSOFT's instructions from time to time;

k) that all Data and information collected, processed, created and managed by StarTek on behalf of MICROSOFT will belong exclusively to MICROSOFT. StarTek agrees not to disclose, divulge, offer, supply, licence, rent, exchange, re-sell or re-use any such Data and information at any time in the future;

l) to maintain a telecommunications and computer system to standards set by MICROSOFT from time to time and having the functionality and capacity necessary for StarTek to comply with its obligations under this Agreement;

m) to work with MICROSOFT to provide and install all necessary interface and bridging devices required to successfully connect to either the Data communications network or MICROSOFT or the Data communications network of a nominated third party to a standard set by MICROSOFT from time to time. StarTek agrees to work with MICROSOFT to establish such Data connectivity such that any telephone or postal transaction undertaken by StarTek on behalf of MICROSOFT is immediately reflected in the main MICROSOFT customer Data base;

n) to fully cooperate with MICROSOFT in implementing the programmes, policies, directions, requests and instructions or MICROSOFT relating to the services;

o) to pay and discharge all royalties, licence fees or other payments payable to or claimed by a third party in respect of any patent or other intellectual property right of that third party arising from the use of the subject matter of such patent or other intellectual property by StarTek or by any approved sub-contractors, suppliers or MICROSOFT Authorised Replicators in performing the Services or arising from the subsequent sale or supply by MICROSOFT (anywhere in the world) of any Product or component manufactured by StarTek or by any approved sub-contractors, suppliers or MICROSOFT Authorised Replicators and/or supplied by StarTek to MICROSOFT and whether or not such obligation arises at the time the Services are provided by StarTek or subsequently; and

(B) The representations and warranties in Section 6(a) of this Agreement shall continue during the term of this Agreement and if at any time during the term of this Agreement any event occurs which would make any of such representations or warranties untrue or inaccurate in any material respect, StarTek shall promptly notify MICROSOFT of such event in writing and of the facts related thereto and of any remedial action taken by StarTek in respect thereof.

(C) BY MICROSOFT. MICROSOFT hereby represents and warrants to StarTek as follows:

a) MICROSOFT has the full and exclusive right and power to enter into and perform according to the terms of this Agreement;

b) MICROSOFT has and will have, at all relevant times, sufficient rights in the Products to grant StarTek the rights granted in this Agreement;

c) that at all times relevant to this Agreement, MICROSOFT will keep any and all license agreements with third parties relevant to the reproduction and manufacture of the Products in force and in good standing; and

(D) DISCLAIMER OF WARRANTY. THE WARRANTIES SET FORTH IN SECTIONS 6(A) AND 6(B) ABOVE ARE THE ONLY WARRANTIES MADE BY THE PARTIES AND ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, OR STATUTORY, INCLUDING BUT NOT LIMITED TO IMPLIED WARRANTIES OF MERCHANTABILITY AND/OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE PRODUCTS.

7. YEAR 2000

(A) YEAR 2000 COMPLIANCE In this Section 7 the expression "Year 2000 Compliant" (and like expressions) shall mean that no operational, financial, data transmission, communication or process is affected or interrupted by dates prior to, during or after the Year 2000, and in particular, but without prejudice to the generality of the foregoing that:-

1) *

2) *

3) *

4) *

(B) *

(C) *

(D) *

8. INDEMNITIES.

(A) STARTEK INDEMNITY OBLIGATIONS. StarTek agrees to indemnify and hold harmless MICROSOFT (and each of its directors and officers) from and against all Claims (as hereinafter defined) directly or indirectly arising out of or in connection with or relating to:

a) any actions or omissions of StarTek in connection with the performance of the Services or any other of its duties and obligations hereunder;

b) any breach of StarTek obligations, warranties or representations under or pursuant to this Agreement;

c) all wages, holiday pay, employment benefit costs, redundancy costs and unfair dismissal costs and awards in respect of its employees and former employees and arising whether before or during the term of the Agreement or SOW for whatever reason or following or resulting from the termination of the Agreement or any SOW for whatever reason;

d) any and all royalties, licence fees or other payments payable to or claimed by a third party in respect of any patent or other intellectual property right of that third party arising from the use of the subject matter of such patent or other intellectual property by StarTek or by any approved sub-contractors, suppliers or MICROSOFT Authorised Replicators in performing the Services or arising from the subsequent sale or supply by MICROSOFT (anywhere in the world) of any product or component manufactured by StarTek or by any approved sub-contractors, suppliers or MICROSOFT Authorised Replicators and/or supplied by StarTek to MICROSOFT, and whether or not such obligation arises at the time the Services are provided by StarTek or subsequently; and

e) any Claim attributable to StarTek's and/or its approved sub-contractors', suppliers' or MICROSOFT Authorised Replicators' performance of the Services pursuant to the rights granted under this Agreement including, but not limited to, StarTek's and/or its approved sub-contractors', suppliers' or MICROSOFT Authorised Replicators' replication, manufacturing and assembly processes or any Claim by any third party that StarTek's and/or its approved sub-contractors', suppliers' or MICROSOFT Authorised Replicators' performance of the Services, pursuant to the rights granted under this Agreement, infringes such third party's patent, copyright, trade secret and/or any other intellectual property right with respect to StarTek's and/or its approved sub-contractors', suppliers' or MICROSOFT Authorised Replicators' replication, manufacturing and assembly processes.

(B) Council Directive of 14 February 1977 on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of businesses (77/187/EEC) as amended by Council Directive 98/50/EC of 29 June 1998

MICROSOFT and StarTek hereby agree and acknowledge that:

(1) to the extent the entering into of this Agreement and any/or Statement of Work hereunder or pursuant hereto, or the commencement by StarTek of providing or performing the Services is deemed to amount to, or results in, the transfer of a business or part of a business within the meaning of the Council Directive of 14 February 1977 on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of

undertakings, businesses or parts of businesses (77/187/EEC) (as amended by Council Directive 98/50/EC of 29 June 1998) (together and individually the "Directive") or any applicable national laws or regulations implementing the same ("Regulations"); and

(2) to the extent the termination of this Agreement and/or any Statement of Work hereunder or pursuant hereto, or the cessation by StarTek of the provision or the performance of the Services, or the combination or centralisation of the Services through one or more MICROSOFT turnkey manufacturers, is deemed to amount to, or results in, the transfer of a business or part of a business within the meaning of the Directive and/or the Regulations:

then StarTek shall in such circumstances be fully liable and responsible for all obligations and liabilities whatsoever arising as a result of such deemed or resulting application of the Directive and/or the Regulations and whether in respect of any contracts of employment, employment relationships or collective agreements (whether or not relating to employees of MICROSOFT or another party) or pursuant to any enactments or statutory provisions (or orders or regulations made thereunder) relating to employees in force at any time, and that StarTek shall at all times fully and effectually indemnify and hold harmless MICROSOFT against all claims, judgments, decrees, orders, awards, costs, liabilities and expenses howsoever arising under or by virtue thereof, including without limitation all wages, holiday pay, employment benefit costs, redundancy costs and unfair dismissal costs, and awards in respect of such, together with legal or other costs, and whether arising before or during the term of the Agreement or Statement of Work. This indemnity will extend to all costs and expenses incurred in defending any such claims or actions or complying with any such award or awards of any court or tribunal of competent jurisdiction.

(C) MICROSOFT INDEMNITY OBLIGATIONS. MICROSOFT agrees to indemnify StarTek from all Claims made against StarTek arising out of breach of MICROSOFT's obligations, warranties or representations contained at Section 6(c)(2).

(D) DEFINITIONS. In relation to any obligation to indemnify undertaken in this Agreement "Claim" includes any cost, claim, liability, proceeding, action, demand, damages and expense (including reasonable attorney's fees and costs).

(E) SURVIVAL. StarTek and MICROSOFT agree that the indemnities set forth in this Section 8 shall survive and shall be enforceable beyond the or completion of this Agreement.

(F) LIMITATION ON LIABILITY. STARTEK'S TOTAL LIABILITY AS TO MATTERS ARISING UNDER THIS AGREEMENT SHALL BE LIMITED TO *, WITH THE EXCEPTION THAT STARTEK'S LIABILITY SHALL BE UNLIMITED AS TO: (i) ANY INDEMNIFICATION OBLIGATION FOR PERSONAL INJURY, DEATH OR PROPERTY DAMAGE TO THE EXTENT SUCH CLAIM IS BASED UPON STRICT LIABILITY, NEGLIGENCE, GROSS NEGLIGENCE, INTENTIONAL ACT OR OTHER FAULT OF STARTEK OR ITS SUBCONTRACTOR(S); (ii) ANY MATTER ARISING UNDER SECTION 8 OF THIS AGREEMENT; (iii) FOR THE COST OF ANY RECALL INCLUDING THE COST OF PRODUCING REPLACEMENT PRODUCT(S); (iv) ANY FAILURE TO RETURN ANY DELIVERABLES AS IS OTHERWISE PROVIDED FOR IN THIS AGREEMENT; OR (v) ANY COPYRIGHT, PATENT, TRADEMARK OR TRADE SECRET INFRINGEMENT(S) (ALL OF THE FOREGOING BEING COLLECTIVELY REFERRED TO AS THE "STARTEK EXCLUDED MATTERS"). MICROSOFT'S TOTAL LIABILITY AS TO MATTERS ARISING UNDER THIS AGREEMENT SHALL ALSO BE LIMITED TO *, EXCEPT FOR ANY MATTERS ARISING UNDER SECTION 8 OF THIS AGREEMENT. EXCEPT WITH REGARD TO STARTEK EXCLUDED MATTERS (WHICH TERM FOR THE PURPOSES OF THIS SENTENCE SHALL NOT INCLUDE ANY LIABILITY AS TO RECALL) AND MATTERS ARISING UNDER SECTIONS 7 and 11, NO PARTY HERETO SHALL BE LIABLE TO ANOTHER FOR ANY INDIRECT, CONSEQUENTIAL, PUNITIVE OR INCIDENTAL DAMAGES ARISING OUT OR RELATED TO THIS AGREEMENT. THE PARTIES ACKNOWLEDGE THAT THE OTHER PROVISIONS OF THIS AGREEMENT RELY UPON THE INCLUSION OF THIS SECTION 8(f).

9. CONFIDENTIALITY.

(A) DEFINITIONS. In this Section:

1) "StarTek Confidential Information" means information that StarTek designates as being proprietary and/or confidential or which, under the circumstances surrounding its disclosure or the manner whereby it was acquired or obtained or otherwise ought to be treated as proprietary or confidential and includes without limitation, information relating to StarTek's organisation, affairs, plans, transactions, proposals, projections, strategies, finances, prices, costs, accounts, products, customers, suppliers (other than suppliers used in the provision of the services), data systems, software or activities and information received from others that StarTek is obligated to treat as confidential, but specifically excluding any information within the definition of "MICROSOFT Confidential Information" as defined below, or which StarTek is obliged or required to furnish to MICROSOFT pursuant to the terms of or in connection with this Agreement.

2) "MICROSOFT Confidential Information" means information that MICROSOFT or Microsoft Corporation designates as being proprietary and/or confidential or which, under the circumstances surrounding its disclosure or the manner whereby it was acquired or obtained or otherwise ought to be treated as proprietary or confidential and includes, without limitation, the terms of this Agreement, * and information received from others that MICROSOFT and/or Microsoft Corporation are obligated to treat as confidential.

Neither "StarTek Confidential Information" nor "MICROSOFT Confidential Information" shall include that information defined as StarTek Confidential Information or MICROSOFT Confidential Information (as the case may be) above that: (i) entered or subsequently enters the public domain without breach by either party of any obligation owed to the other or to Microsoft Corporation; (ii) became known to either party prior to the disclosure by the other party of such information to that party or that party's acquisition or obtaining thereof; (iii) became known to either party from a source other than the other party, other than by the breach of an obligation of confidentiality owed to that other party or Microsoft Corporation; (iv) is disclosed by either party to a third party without restrictions on its disclosure; or (v) is independently developed by either party.

3) "Confidential Materials" shall mean all materials and media containing or comprising MICROSOFT Confidential Information or StarTek Confidential Information (as the case may be), or on which MICROSOFT Confidential Information or StarTek Confidential Information (as the case may be) is stored or resides, including without limitation written or printed documents and computer disks, CDs, CD-Rs, CD-ROMs, tapes or other media, masters and whether machine or user readable.

4) "Public Domain Information" means information or know-how that can be acquired from MICROSOFT or Microsoft Corporation or StarTek (as the case may be), or other sources upon request by a member of the general public, free of charge or for the cost of copying.

(B) MICROSOFT RESTRICTIONS AND OBLIGATIONS. MICROSOFT shall not disclose or permit the disclosure of any StarTek Confidential Information or Confidential Materials to third-parties (other than an Associated Company) for * following the date of its disclosure by StarTek to MICROSOFT or MICROSOFT's acquisition or obtaining thereof.

(C) STARTEK RESTRICTIONS AND OBLIGATIONS. Subject to sub-Section (d) below, StarTek shall not disclose or permit the disclosure of any MICROSOFT Confidential Information or Confidential Materials to third parties including, but not limited to, any Associated Company for * years following the date of its disclosure by MICROSOFT or Microsoft Corporation to StarTek or StarTek's acquisition or obtaining thereof.

(D) For the purposes of this Section 9(d) and of Section 16(a), "Associated Company" means:-

a) any company which is related to MICROSOFT or StarTek (as the case may be), within the meaning of Section 140 of the Companies Act 1990 or which would be so related if it was incorporated in Ireland; or

b) any person or body of persons or any company, partnership, consortium or joint venture related or affiliated to or controlled or managed by MICROSOFT or StarTek (as the case may be) or by any person or group of persons connected to any director of MICROSOFT or StarTek (as the case may be) within the meaning of Section 26 of the Companies Act 1990 or by any company which is related to MICROSOFT or StarTek (as the case may be) within the meaning of Section 140 of the Companies Act 1990 or which would be so related if it was incorporated in Ireland.

(E) StarTek may disclose MICROSOFT Confidential Information and/or Confidential Materials to any of its authorised employees or agents, consultants or sub-contractors authorised by MICROSOFT pursuant to Sections 5(a) and 16(a) who have a need to know the same for the purpose of this Agreement. StarTek shall procure that each such employee, agent, consultant or sub-contractor having access to or otherwise receiving any MICROSOFT Confidential Information and/or Confidential Materials, shall enter into confidentiality agreements in the form or substantially in the form set out in Exhibit F hereto in respect of any MICROSOFT Confidential Information and/or Confidential Materials that may be disclosed or released to or otherwise received by such employee, agent, consultant or sub-contractor. Immediately upon StarTek becoming aware of or suspecting any breach or threatened breach of any of the said confidentiality agreements StarTek shall:-

a) forthwith notify MICROSOFT in writing of such breach or threatened breach and give to MICROSOFT such information as MICROSOFT may in its sole discretion require and is reasonably available to StarTek in relation to such breach or threatened breach and MICROSOFT may in the name of StarTek take such action at the cost and expense of MICROSOFT as MICROSOFT may at its sole discretion consider necessary or desirable to avoid or resist the breach or threatened breach and to enforce the said confidentiality agreements or any of them subject only to notifying StarTek to the extent considered practicable by MICROSOFT prior to taking any such action; and

b) do and permit to be done all things which may be required to be done at the cost and expense of MICROSOFT to minimise, avoid or diminish the actual or potential loss to any or all of MICROSOFT and Microsoft Corporation and any of its or their affiliates as a result of such breach or threatened breach and to enable MICROSOFT to enforce the said confidentiality agreements or any of them in the name of StarTek and StarTek shall not be entitled to withdraw, compromise or settle any such enforcement action without the prior written consent of MICROSOFT save as required by the legally binding obligation imposed on it by a court of final appeal and of competent jurisdiction, or by a court of competent jurisdiction where a stay of execution is refused pending appeal.

(F) StarTek may nto reverse engineer, decompile or disassemble any software made available to COMPANY by or acquired from MICROSOFT or Microsoft Corporation except as expressly permitted by applicable law. In addition, StarTek may not unlawfully copy or distribute any such software.

(G) MICROSOFT RIGHTS AND REMEDIES

a) StarTek shall notify MICROSOFT immediately upon discovery of any unauthorised use or disclosure of MICROSOFT Confidential Information or Confidential Materials, or any other breach of this Agreement by StarTek, and will cooperate with MICROSOFT in every reasonable way to help MICROSOFT regain possession of the MICROSOFT Confidential Information or Confidential Materials and prevent its further unauthorised use.

b) StarTek shall return all originals, copies, reproductions and summaries of MICROSOFT Confidential Information or Confidential Materials (in whatever form whether tangible, electronic or other) at MICROSOFT's' request or, at MICROSOFT's option, certify destruction of the same.

c) StarTek acknowledges that monetary damages may not be a sufficient remedy for unauthorised disclosure of MICROSOFT Confidential Information or Confidential Materials and that MICROSOFT shall be entitled, without waiving any other rights or remedies, to such injunctive or equitable relief as may be deemed proper by a court of competent jurisdiction.

d) MICROSOFT may visit StarTek's premises, with reasonable prior notice and during normal business hours, to review StarTek's compliance with the terms of this Agreement.

(H) STARTEK RIGHTS AND REMEDIES

a) MICROSOFT shall notify StarTek immediately upon discovery of any unauthorised use or disclosure of StarTek Confidential Information or Confidential Materials, or any other breach of this Agreement by MICROSOFT, and will cooperate with StarTek in every reasonable way to help StarTek regain possession of the StarTek Confidential Information or Confidential Materials and prevent its further unauthorised use.

b) MICROSOFT shall return all originals, copies, reproductions and summaries of StarTek Confidential Information or Confidential Materials (in whatever form whether tangible, electronic or other) at StarTek's request or, at StarTek's option, certify destruction of the same.

c) MICROSOFT acknowledges that monetary damages may not be a sufficient remedy for unauthorised disclosure of StarTek Confidential Information or Confidential Materials and that StarTek shall be entitled, without waiving any other rights or remedies, to such injunctive or equitable relief as may be deemed proper by a court of competent jurisdiction.

(I) MISCELLANEOUS

a) All MICROSOFT Confidential Information and Confidential Materials are and shall remain the property of MICROSOFT and/or Microsoft Corporation. By disclosing MICROSOFT Confidential Information and Confidential Materials to StarTek, MICROSOFT and/or Microsoft Corporation do not grant any express or implied right to StarTek to or under any MICROSOFT and/or Microsoft Corporation patents, copyrights, trademarks or other intellectual property rights or trade secret information.

b) All StarTek Confidential Information and Confidential Materials are and shall remain the property of StarTek. By disclosing StarTek Confidential Information and Confidential Materials to MICROSOFT, StarTek does not grant any express or implied right to MICROSOFT to or under any StarTek patents, copyrights, trademarks or other intellectual property rights or trade secret information.

c) Notwithstanding the foregoing either party may disclose the terms of this Agreement to its outside legal and financial advisers in the ordinary course of its business. Either party may disclose MICROSOFT Confidential Information and/or StarTek Confidential Information and/or Confidential Materials (as the case may be) if required to do so by government or judicial order provided that:-

i) it shall have given the other party prompt written notice prior to the disclosure;

ii) it shall comply with any protective order or equivalent imposed on such disclosure, and

iii) it shall provide the other party with the option of either seeking a protective order or having such MICROSOFT Confidential Information and/or StarTek Confidential Information and/or Confidential Materials (as the case may be) made subject to the same protective order as may apply to the information of that party subject to the government or judicial order.

d) StarTek undertakes that any information relating to customers of MICROSOFT, Microsoft Corporation or any of its or their affiliates, distributors, agents or resellers, that either has been or is provided to StarTek by any of the aforementioned in order to perform the services or its obligations under this Agreement, or that is otherwise acquired by StarTek whether before or after the date hereof, shall be treated as MICROSOFT Confidential Information and shall be held by StarTek in the strictest of confidence and shall not be utilised by StarTek for any purpose (including but not limited to its dissemination to or utilisation by any Associated Company of StarTek whether involved in the reselling of software and/or computer hardware products or not) other than the provision of the services.

10. TITLE

(A) StarTek acknowledges and agrees that notwithstanding delivery or the passing of risk or any other provision of this Agreement the property and title to all materials, goods and components used or to be used in the Services:

a) delivered to StarTek's Facility or to the facility of any of its approved sub-contractors (whether originating from MICROSOFT, an approved supplier or other third party) shall vest in MICROSOFT with effect from the time of delivery to StarTek's Facility or to the facility of any of its approved sub-contractors to the extent (if any) that MICROSOFT does not hold title to them before such time;

b) created or originating at StarTek's Facility or to the facility of any of its approved sub-contractors shall vest in MICROSOFT with effect from the moment of their creation;

And StarTek acknowledges and agrees that neither the title nor the property in any materials, goods and components as aforesaid vests in or will vest in StarTek or in any of its approved sub-contractors, notwithstanding that MICROSOFT shall have no obligation to pay StarTek's approved sub-contractors, and StarTek shall be solely liable and responsible to its approved sub-contractors for payment, for such materials, goods and components delivered to or created or originating at StarTek's approved sub-contractors' facilities.

(B) For the avoidance of doubt, the property and title in each unit of finished Microsoft Products delivered to or manufactured by StarTek and/or any of its approved sub-contractors shall be and remain vested in MICROSOFT and shall not at any time pass to StarTek.

(C) StarTek shall not create, or permit, suffer or allow to arise, over or in relation to any unit of Microsoft Products or any materials, goods or components used or to be used in the Services any charge, lien, encumbrance or other security interest of whatever nature.

(D) StarTek shall store all materials, goods and components used or to be used in the Services as well as finished Microsoft Products such that they remain at all times separately identifiable as the property of MICROSOFT and StarTek shall return any and all such materials, goods, components and finished Microsoft Products to MICROSOFT on request.

(E) StarTek hereby grants an irrevocable right and licence to MICROSOFT, its servants and agents to enter with or without notice upon all or any of its premises with or without vehicles during normal business hours for the purposes of verifying that the provisions of this Section are being complied with and/or taking possession of any and all such materials, goods, components, and finished Microsoft Products and this provision shall continue in force notwithstanding termination of this Agreement howsoever caused.

11. RISK OF LOSS.

(A) StarTek shall assume the risk of loss or damage to materials and goods which are the subject of this Agreement, or the product of any Services, including but not limited to raw materials, components and finished goods as follows: StarTek risk for incoming materials, goods and components shall commence with effect from the earlier of the moment of their delivery to or creation at StarTek's Facility or the authorised locations of all StarTek's approved sub-contractors, suppliers and MICROSOFT Authorised Replicators engaged by StarTek. Nothing herein shall prevent StarTek and the approved sub-contractors, suppliers and/or the Authorised Replicators which StarTek engages allocating such risk between them pursuant to the transfer of risk terms contained in any agreement entered into between them, provided however that StarTek shall assume sole responsibility for risk of loss at the latest at the moment of the delivery of materials, goods or components to StarTek's Facility. StarTek's responsibility for risk of loss shall continue through manufacture, assembly, storage and shipment of finished goods. StarTek's responsibility for risk of loss shall terminate upon the receipt by StarTek by EDI from the MICROSOFT turnkey warehouser and/or distributor, or other recipient pursuant to MICROSOFT directions, to which StarTek has shipped finished goods of confirmation of receipt of the finished goods. StarTek shall remain responsible for adequately packing the finished goods and shipping them to the MICROSOFT turnkey warehouser and/or distributor or other recipients pursuant to MICROSOFT's directions. In the event of loss or damage to any of the goods for which StarTek assumes risk of loss, StarTek shall, or shall procure that its insurers shall indemnify MICROSOFT for the value of goods as follows:

(A) for raw materials and goods in the course of manufacture owned by MICROSOFT, MICROSOFT's * plus any or all *;

(B) for finished goods, MICROSOFT * for such goods to the extent that MICROSOFT receives orders for such finished goods that would otherwise have been fulfilled through the Services or, where such finished goods are excess inventory owned by MICROSOFT, the cost of goods sold;

(C) for all other property owned by MICROSOFT, the current *.

(B) To the extent that any loss to MICROSOFT owned property or inventories is covered by insurance maintained by StarTek, MICROSOFT shall be permitted to participate in the adjustment of the loss and shall be made loss payee on StarTek's insurance to the extent of its interest in the lost, damaged or destroyed property. StarTek shall and shall procure that its insurers shall waive all rights of subrogation against MICROSOFT in connection with any payment made for loss or damage to MICROSOFT owned property.

(C) ON PREMISES RISK. StarTek shall be responsible for all risk of loss or damage to all MICROSOFT property while located at StarTek's or its subcontractor's facilities. StarTek shall be responsible for the full amount of the loss or damage and shall reimburse MICROSOFT for such loss or damage. Reimburseable amount for any loss or damage shall be as set forth in Section 11(d) below.

(D) LIABILITY FOR THEFT, PILFERAGE, SHRINKAGE, ETC. Notwithstanding the provisions of Section 10 (Title) and the foregoing provisions of this Section 11, StarTek shall be fully liable to MICROSOFT for the theft, pilferage, shrinkage or otherwise unexplained disappearance of any and all Microsoft Products, Microsoft certificates of authenticity, CDs, discs and other finished products whilst in its possession or under its control or management during the period that StarTek is responsible for same. This period runs from the time StarTek assumes risk of loss pursuant to this Section 11 until the documented delivery to and the documented receipt by or on behalf of the MICROSOFT turnkey warehouser and/or distributor or other recipient as designated by MICROSOFT. For the avoidance of doubt, this period covers the time during which any of the aforementioned items are in the possession or under the control or management of any of StarTek's approved sub-contractors, suppliers or MICROSOFT Authorised Replicators engaged by StarTek. In the event that any of the aforesaid items are stolen, lost or otherwise unaccounted for, StarTek agrees to pay to MICROSOFT forthwith on demand the Microsoft distributor price therefor (or, in the case of a Microsoft *.

(E) The foregoing is the best estimate of the parties as to the likely loss and damage that MICROSOFT will suffer as a result of theft, pilferage, shrinkage or otherwise unexplained disappearance of all Microsoft Products, Microsoft certificates of authenticity, CDs, discs or other finished products as aforesaid whilst in the possession, control or management of StarTek.

(F) NOTICE OF LOSS - Upon discovery of the theft, pilferage, shrinkage or otherwise unexplained disappearance of any and all Microsoft Products (including components of Microsoft Products), Microsoft certificates of authenticity, Microsoft certificate of authenticity labels, CDs, CD masters, CD stampers, CD serialisation files, film, film masters, electronic and physical artwork files, discs, disc masters, label masters, label art, labels, user guides, user guide masters, packaging masters or other masters or other products and finished products *, whilst in its possession or under its control or management as aforesaid, StarTek shall as soon as reasonably practical and in any event not more than * following discovery, notify MICROSOFT of such loss along with sufficient details to enable MICROSOFT to make a reasonable investigation of any loss involving the aforesaid items or other MICROSOFT property.

(G) For the avoidance of doubt, the obligation of StarTek under Section 11(d) to pay MICROSOFT * for damaged Microsoft Products (including raw materials and components thereof) shall not apply where such items are damaged during the course of or as a result of the provision of the Services PROVIDED ALWAYS that StarTek physically accounts for all such damaged Microsoft Products (including raw materials and components thereof) and for all Microsoft certificates of authenticity, CDs, discs, other finished products which are damaged whilst in its possession or under its control or management, to the satisfaction of MICROSOFT including where necessary verified evidence of destruction.

12. TERM AND TERMINATION.

(A) DURATION. The term of this Agreement shall commence on the Effective Date and terminate on * (the "Initial Term") unless terminated earlier as provided below. In the event that either party wishes to continue this Agreement for a further period of * beyond the Initial Term, such party shall * give written notice to this effect to the other party. The other party may (and will not be obliged to) agree to such an extension of this Agreement on receipt of such notice. In the event that neither party gives such notice, or either party does not agree to an extension as outlined, this Agreement shall terminate on the expiry of the Initial Term, unless terminated earlier as provided below.

(B) EARLY TERMINATION AND DEFAULT. MICROSOFT may terminate this Agreement immediately upon notice if StarTek: (i) fails to strictly comply with Sections 4 and/or 9 of this Agreement, (ii) makes or attempts to make an assignment in violation of Section 16(a) of this Agreement, or (iii) experiences an Insolvency Event of Default, as defined below. In addition to the foregoing, MICROSOFT may terminate this Agreement without cause with * notice in writing. The rights and remedies provided herein to the parties shall not be exclusive and are in addition to any other rights and remedies provided by law. In the event a non-defaulting party in its discretion elects not to terminate this Agreement, such election shall not be a waiver of any claims of that party for a default(s). Further, the non-defaulting party may elect to leave this Agreement in full force and effect and to institute legal action against the defaulting party for specific performance and/or damages suffered by such party as a result of the default(s). For purposes of this Agreement, an "Insolvency Event of Default" shall be deemed to have occurred in the event the applicable party fails to formally dismiss the Insolvency Event of Default within * after commencement of any of the following proceedings: (x) any party admits in writing its inability to pay its debts generally or makes a general assignment for the benefit of creditors; (y) any affirmative act of insolvency by any party or the filing by or against any party of any petition or action under any bankruptcy, reorganization, insolvency arrangement, liquidation, dissolution or moratorium law, or any other law or laws for the relief of, or relating to, debtors; or (z) the subjection of a material part of any party's property to any levy, seizure, assignment or sale for or by any creditor, third party or governmental agency.

Notwithstanding the foregoing, MICROSOFT may, at its sole discretion, immediately terminate this Agreement if, due to StarTek's lack of diligence, StarTek engages in or permits its subcontractor(s) to engage in the unauthorized replication and/or distribution of Product(s). StarTek will diligently attempt to prevent any unauthorized replication and/or distribution of Product(s) by StarTek employees or any subcontractor and will cooperate fully with MICROSOFT to that end. MICROSOFT may, at its sole discretion, immediately terminate StarTek's right to subcontract the replication and/or assembly of Product(s), in accordance with Section 5 of this Agreement, if MICROSOFT determines that StarTek's subcontractor is or has been involved in the unauthorized replication and/or distribution of Product(s) or any third party products.

In addition, MICROSOFT may terminate this Agreement by notice in writing to StarTek if StarTek shall change its organisation or methods of doing business so as in MICROSOFT's sole opinion to be able less effectively to carry out its duties hereunder or if there is a change of control of StarTek. For the purposes of this Agreement an entity is "controlled" by another if that other either directly or through its control of another company or legal entity: (1) holds the majority of voting rights in it; (2) is a member of it and has the right to appoint or remove a majority of its board of directors; or (3) is a member of it and controls alone, under an agreement with other shareholders or members, the majority of the voting rights in it.

(C) HIERARCHY. In the event that MICROSOFT is entitled to terminate this Agreement pursuant to any of the provisions of sub-Sections (a) or (b) above, MICROSOFT shall be entitled (but not required) to terminate all or any Statements of Work and/or the Agreement as it chooses. Termination of the

Master Agreement shall automatically terminate all Statements of Work. Termination of all or any Statements of Work shall not of itself terminate the Agreement.

(D) RIGHTS UPON TERMINATION OR EXPIRATION. Upon the termination or expiration of this Agreement:

(E) MICROSOFT shall have the right to recover and repossess any stocks of Microsoft Products or other MICROSOFT materials, goods, components including without limitation all replication lists and all replicating kits, CD masters, CD stampers, CD serialisation files and labels, all software on disk, CD-R masters, CD-ROM masters, glass masters, electronic files, film masters, electronic and physical artwork files, PID files and labels, disk masters, label masters, label art, labels, user guide masters, packaging masters or other masters, Microsoft certificates of authenticity, Microsoft certificate of authenticity labels, raw disks and source code in StarTek's possession or under its control, including all Microsoft Products and other Microsoft materials, goods and components as aforesaid in the possession or under the control of StarTek's approved sub-contractor;

(F) STARTEK will return to MICROSOFT upon demand all Data and any price lists, literature, manuals and any other material supplied or owned by MICROSOFT which StarTek or its approved sub-contractors may have in its or their possession or under its or their control and whether in paper, electronic or other form;

(G) STARTEK will, and will procure that its approved sub-contractors will, destroy and expunge from its or their computers any and all MICROSOFT materials, goods, components, software (including without limitation replicating kits, CD masters, CD stampers, CD serialisation files and labels, all software on disk, CD-R masters, CD-ROM masters, glass masters, electronic files, film masters, electronic and physical artwork files, PID files and labels, disk masters, label masters, label art, labels, user guide masters, packaging masters or other masters, raw disks, source code and the like) which are held in electronic form and shall certify in writing under the hand of an authorised officer of StarTek that same has been done.

(H) MICROSOFT shall not be liable to make or pay any compensation to StarTek or its approved sub-contractors for loss of profits, goodwill, or otherwise, arising as a result of the termination of this Agreement;

(I) STARTEK shall remove and discontinue the use of all signs, stationery, advertising and other material that would make it appear to the public that StarTek is still providing services in relation to Microsoft Products; and

(J) STARTEK shall cease, and shall procure that its approved sub-contractors shall cease, to use the tradenames, trademarks, logos or symbols owned by MICROSOFT or Microsoft Corporation or any of its or their affiliates and/or any of its or their licensors.

(K) STARTEK shall co-operate with MICROSOFT to ensure that there is an orderly and expeditious winding down of all Services then being performed by StarTek and/or its approved sub-contractors, and where MICROSOFT has arranged for such Services to be performed by another party, that there be an orderly and expeditious transfer and transition to such third party.

(L) EFFECT OF DEFAULT. If there is a Default, the parties shall have all rights and remedies provided in this Agreement or otherwise available under law as limited by this Agreement.

(M) SURVIVAL. Sections 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13 shall survive termination or expiration of this Agreement.

(N) ACCRUED RIGHTS. Any termination of this Agreement by any party shall be without prejudice to any other rights or remedies that party might be entitled to hereunder or at law and shall not effect any accrued rights or liabilities of either party nor the coming into or continuance in force of any provision hereof which is expressly or by implication intended to come into or continue in force on or after such termination including without prejudice to the generality of the foregoing, the provisions of Sections 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13 which shall survive any termination of this Agreement.

13. RECORD KEEPING, RECORD REVIEW, ETC

(A) GENERAL. The provisions of this Section 13 are subject to any detailed provisions relating to records, review, reporting, inspection and audit in any executed and/or signed Statement of Work.

(B) RECORD KEEPING REQUIREMENTS.

a) RECORD KEEPING REQUIREMENTS During the term of this Agreement, StarTek agrees to keep all usual and proper books of account and all usual and proper entries relating to the Services and StarTek's performance of this Agreement and to maintain them for a minimum period of * from the date they are created. Such records, books of account, and entries shall be kept in accordance with generally accepted accounting principles.

b) FINANCIAL STATEMENTS StarTek shall provide MICROSOFT with quarterly Financial Statements within * after the end of each calendar quarter. Furthermore, within * of the financial year end of StarTek, StarTek shall furnish MICROSOFT with a complete copy of its Audited Accounts for such financial year.

In this Section 13 "Financial Statement" shall mean a Balance Sheet and Profit & Loss Account both made up as of the last day of the calendar quarter, together with a Cash Flow Statement for the calendar quarter in question and the calendar year to date, duly prepared in accordance with US Generally Accepted Accounting Principles ("US GAAP"). Any deviation from US GAAP in the quarterly Financial Statements must be clearly noted.

In this Section 13 "Audited Accounts" shall mean the Balance Sheet, Profit & Loss Account, both made up as of the last day of the financial year, together with a Cash Flow Statement for the financial year in question duly prepared in accordance with US GAAP.

(C) AUDIT. MICROSOFT may cause an audit and/or inspection and/or review to be made of the applicable StarTek records, books of account and entries at any warehouse or storage location of StarTek or any other location from which StarTek is performing the Services in order to verify StarTek's compliance with the terms of this Agreement and to verify statements issued by StarTek at any time during the term of this Agreement and for a period of * thereafter. Any such audit shall be made by an independent qualified accountant selected by MICROSOFT (other than on a contingent fee basis). Any such inspection shall be made by MICROSOFT or a third party designated by MICROSOFT. Any audit and/or inspection shall be conducted during regular business hours at the relevant StarTek location with * prior notice (no such notice shall be required where MICROSOFT suspects that there has been a breach of security). StarTek agrees to provide MICROSOFT's designated audit or inspection team access to relevant MICROSOFT related StarTek records, books of account and entries and to all warehouse and storage locations of StarTek and all other locations from which StarTek is performing the Services. Any such audit shall be paid for by MICROSOFT unless material discrepancies are disclosed. "Material" shall mean * of the transactions (costs borne by or income due to MICROSOFT) within the audit period. IF MATERIAL DISCREPANCIES ARE DISCLOSED:

(1) STARTEK AGREES TO REIMBURSE MICROSOFT FOR ALL OVER-CHARGED AMOUNTS THAT ARE DISCLOSED PLUS INTEREST ON SUCH AMOUNTS ON A DAY TO DAY BASIS (AS WELL AFTER AS BEFORE ANY JUDGMENT) FROM THE DATE THAT THE COST WAS INCURRED AND CHARGED TO MICROSOFT OR THE INCOME PAID TO MICROSOFT, TO THE

DATE OF ACTUAL PAYMENT (BOTH DATES INCLUSIVE) AT THE RATE OF * (OR SUCH OTHER DUBLIN CLEARING BANK AS MICROSOFT MAY NOMINATE) FROM TIME TO TIME IN FORCE (OR IF THERE IS NO SUCH RATE, THE NEAREST EQUIVALENT RATE AS DETERMINED BY MICROSOFT COMPOUNDED QUARTERLY) AND IN SUCH CIRCUMSTANCES STARTEK ALSO AGREES TO PAY THE COSTS ASSOCIATED WITH THE AUDIT; AND

(2) MICROSOFT AGREES TO REIMBURSE STARTEK FOR ALL UNDER-CHARGED AMOUNTS THAT ARE DISCLOSED PLUS INTEREST ON SUCH AMOUNTS ON A DAY TO DAY BASIS (AS WELL AFTER AS BEFORE ANY JUDGMENT) FROM THE DATE THAT THE COST WAS INCURRED AND CHARGED TO MICROSOFT OR THE INCOME PAID TO MICROSOFT, TO THE DATE OF ACTUAL PAYMENT (BOTH DATES INCLUSIVE) AT THE RATE OF * (OR SUCH OTHER DUBLIN CLEARING BANK AS MICROSOFT MAY NOMINATE) FROM TIME TO TIME IN FORCE (OR IF THERE IS NO SUCH RATE, THE NEAREST EQUIVALENT RATE AS DETERMINED BY MICROSOFT COMPOUNDED QUARTERLY) AND IN SUCH CIRCUMSTANCES MICROSOFT ALSO AGREES TO PAY THE COSTS ASSOCIATED WITH THE AUDIT.

The foregoing is the best estimate of the parties as to the likely loss and damage that MICROSOFT will suffer as a result of such material discrepancies. StarTek shall procure the right for MICROSOFT to carry out audits and/or inspections of the facilities of StarTek's sub-contractors on terms equivalent to those set out in this Section 13.

(D) RECORD REVIEW

a) RELEVANT RECORDS. Where MICROSOFT causes a review of StarTek's records , books of account and entries to be made, then without prejudice to the generality of the information and records that MICROSOFT may require from StarTek pursuant to this Section 13:

(i) where StarTek bills MICROSOFT on a PRICE PER UNIT OR PRICE PER ACTIVITY, StarTek shall provide copies of shipping, production or other relevant records to support invoices and copies of third party invoices to support price adjustments based on changes in the cost of third party materials and services including, without limitation, paper, media, packaging materials, postage and freight; StarTek shall not be obligated, however, to provide any internal documentation on StarTek's costs or returns related to such invoices;

ii) where StarTek bills MICROSOFT a SERVICE FEE, as opposed to a price per unit or per activity, StarTek shall make available to MICROSOFT any and all supporting materials, records and documentation relevant to such service fee.

b) REVIEW PROCESS. Any record review conducted pursuant to this Section 13 shall be made by an independent qualified accountant selected by MICROSOFT (other than on a contingent fee basis) at StarTek's office or such other reasonable location as MICROSOFT may request. If accounting discrepancies, inconsistencies or errors in statements issued by StarTek are disclosed as a result of a record review, StarTek agrees (without prejudice to StarTek's obligations pursuant to this Section 13) to implement and/or require outside contractors to implement promptly agreed-upon corrective action. Nothing herein shall preclude MICROSOFT from exercising any other rights or remedies it has under law or other provisions of this Agreement.

(E) FACILITY INSPECTIONS. MICROSOFT may cause an inspection to be made with * prior notice (no such notice shall be required where MICROSOFT suspects that there has been a breach of security) of any Facility to verify that StarTek is providing the Services in compliance with the terms of this Agreement. Any inspection conducted pursuant to this Section 13 shall be conducted during regular business hours at the Facility. StarTek agrees to provide MICROSOFT's designated inspection team access to all relevant records, books of account and entries and the Facility. If material discrepancies or departures from the provisions of this Agreement are disclosed, StarTek agrees to implement promptly agreed-upon corrective action. Nothing herein shall preclude MICROSOFT from exercising any other rights or remedies it has under law or other provisions of this Agreement.

14. NOTICES AND PRINCIPAL CONTACTS.

All notices, authorizations, and requests in connection with this Agreement shall be deemed given on the day they are sent by air express courier, charges prepaid; and addressed as follows:

STARTEK:	StarTek Inc. Attn: Mike Morgan 1250 H St. Greeley, CO 80631
Telephone:	970-346-5303
Fax:	970-353-7652
With a copy to:	StarTek General Counsel Blair Lockwood Otten, Johnson, Robinson, Neff and Ragonetti, PC 950 Seventeenth Street, Suite 1600 Denver Colorado 80202
Telephone:	303 825 8400
Fax:	303 825 6525
MICROSOFT:	Microsoft European Operations Centre Blackthorn Road Sandyford Industrial Estate Dublin 18 Ireland Attn: *
Telephone:	353 1 706 4149
Fax:	353 1 706 4294
With a copy to:	Law & Corporate Affairs Microsoft Corporation Microsoft Europe Services Tour Pacific 92977 Paris La Defense Cedex - France Attn: Steven D. McLamb
Telephone:	33 01 46 35 10 28
Fax:	33 01 46 35 10 32

or such other person or address as each party, respectively, so designates by written notice to the other parties.

15. ENTIRE AGREEMENT AND MODIFICATIONS.

(1) ENTIRE AGREEMENT. This Agreement is the entire agreement between the parties relating to its subject matter and supersedes and cancels any previous or existing agreement or other arrangement between MICROSOFT and StarTek. Any statements or representations or agreement made by either party shall not be binding on that party unless contained in writing and signed by an authorised representative of that party.

(2) STATEMENT OF WORK. The Statement of Work may be modified as follows: each modification must be approved by MICROSOFT and StarTek, and such approval must be documented with a confirming e-mail or other written communication between authorized representatives of the two parties. In addition, if MICROSOFT deems it necessary and appropriate, it shall prepare on a * basis an updated version of the

Statement of Work incorporating all modifications made since the prior update and clearly setting forth the "Date of Revision" on the front page. MICROSOFT shall circulate each such update to StarTek. The most current revised version of the Statement of Work that has been circulated in this manner to the parties, together with subsequent modifications documented pursuant to this Section 15(b) shall constitute the Statement of Work for the purposes of this Agreement. StarTek shall maintain and make available to MICROSOFT upon request copies of all of its documentation regarding modifications to the Statement of Work. For purposes of this Agreement, references to Statement of Work includes any agreed modification even if prior to the quarterly incorporation of such changes.

(3) AMENDMENT. This Agreement may be amended only in writing signed by authorized representatives of both parties. Notwithstanding the foregoing, MICROSOFT reserves the right to change, by * prior notice to StarTek, any policies of MICROSOFT.

(4) OTHER. Except as provided in this Section 15, the provisions of this Agreement may be modified only by written instrument signed by duly authorized representatives of MICROSOFT and StarTek.

16. GENERAL.

(1) PROHIBITION AGAINST ASSIGNMENT. Except as expressly provided in this Section 16(a), no party may assign its rights or obligations under this Agreement (by actual assignment or by operation of law, including without limitation through a merger, consolidation, exchange of shares, or sale or other disposition of assets, including disposition on dissolution), without the prior written consent of the other party, which consent shall not be unreasonably withheld. MICROSOFT may, however, assign this Agreement to a MICROSOFT subsidiary without the consent of StarTek. For the avoidance of doubt, for the purposes of this Section 16(a) "subsidiary" means any company in which Microsoft Corporation holds or controls directly or indirectly 51% of the issued share capital or voting rights. Notwithstanding the foregoing, this is a contract for personal services and MICROSOFT relies upon the qualifications, reputation and expertise of StarTek to perform all obligations hereunder. In particular, MICROSOFT relies upon StarTek's history of performance over more than * of operation,

(2) GOVERNING LAW AND JURISDICTION. This Agreement shall be governed by and construed in accordance with the laws of Ireland and StarTek hereby agrees for the benefit of MICROSOFT and without prejudice to MICROSOFT's right to take proceedings in relation hereto before any other court of competent jurisdiction that the courts of Ireland shall have jurisdiction to hear and determine and suit, action or proceedings that may arise out of or in connection with this Agreement and for such purposes StarTek hereby irrevocably submits to the jurisdiction of such courts. StarTek hereby irrevocably authorises and appoints JOHN DOCKRELL OF DOCKRELL FARRELL SOLICITORS, EMBASSY HOUSE, HERBERT PARK LANE, BALLSBRIDGE, DUBLIN 4 (or such other person resident in Ireland as it may by notice to MICROSOFT substitute) (the "Process Agent") to accept service of all legal process arising out of or in connection with this Agreement and service on the Process Agent (or such substitute as aforesaid) shall be deemed service on StarTek. StarTek agrees that failure by its Process Agent to notify it of the process will not invalidate the proceedings concerned.

(3) MICROSOFT CORPORATION, AFFILIATES - THIRD PARTY BENEFICIARY. StarTek acknowledges and agrees that the benefit of certain of the provisions of this Agreement are expressed to be for not only MICROSOFT but also for Microsoft Corporation, affiliates of Microsoft Corporation, licensors of Microsoft Corporation and/or MICROSOFT and any of its of their officers or directors. StarTek further acknowledges that each and any of the foregoing shall be entitled, in its or their own right, to require by StarTek the due performance of each such provision as aforesaid and to this end that MICROSOFT is entering into this Agreement not only in its own right, but also as trustee and agent for each of Microsoft Corporation, its affiliates, licensors of Microsoft Corporation and/or MICROSOFT and any of its or their officers or directors.

(4) NO PARTNERSHIP/JOINT VENTURE/AGENCY/FRANCHISE. This Agreement shall not be construed as creating a partnership, joint venture, employer-employee or agency relationship or as granting a franchise.

(5) SEVERABILITY. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid or unenforceable, the remaining provisions shall remain in full force and effect.

(6) ATTORNEYS' FEES. If any party employs attorneys to enforce any rights arising out of or relating to Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees, costs and other expenses.

(7) WAIVER. No waiver of any breach of any provision of this Agreement shall constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver shall be effective unless made in writing and signed by an authorized representative of the waiving party.

(8) SECTION HEADINGS. The Section headings used in this Agreement are intended for convenience only and shall not be deemed to supersede or modify any provisions.

(9) GOVERNMENTAL APPROVALS. Each party shall, at its own expense, obtain and arrange for the maintenance in full force and effect of any and all governmental approvals, consents, licenses, authorizations, declarations, filings, and registrations as may be necessary or advisable for the performance of all of the terms and conditions of this Agreement.

(10) FORCE MAJEURE.

a) Except as otherwise provided in this Section 16(j), neither party shall be in default by reason of any failure in performance of this Agreement, if such failure arises out of causes beyond the control and without the fault or negligence of the involving party including, but not restricted to, acts of God, acts of the Government, fires, floods, epidemics, quarantine restrictions, strikes, lock-outs, freight embargoes and unusually severe weather. This Section shall also apply to StarTek's contractors where a contractor's failure arises out of the same causes, except insofar as StarTek could have reasonably been expected to obtain contractor supply from alternate sources.

b) StarTek shall give a written notice to MICROSOFT within * after StarTek becomes aware of any circumstances or event which may reasonably be anticipated to cause or constitute, or which constitute a force majeure as described in Section 16(j)(1), above. Such notice shall contain a detailed description of the delay and of the affected portion of the Agreement. Within a further * after such notice, StarTek shall deliver a detailed written description of the work-around plan, alternative sources, and any other reasonable means that StarTek shall, at its own cost, use to prevent such further delay.

c) If the delivery of any Products shall be delayed by reason of force majeure for more than * beyond when delivery was scheduled, MICROSOFT may upon written notice to StarTek with respect to the undelivered Products, either terminate any or all this Agreement hereunder. In the event of such termination, the parties shall comply with their obligations as specified in Section 12.

(11) EXHIBIT(S). The following exhibits, as amended from time to time, are incorporated into this Agreement by this reference ("Exhibit(s)"):

EXHIBIT	DESCRIPTION
A	Statement of Work
B	Price and Payment Terms
C	Insurance
D	Required Tax Information
E	Approved Subcontractor List

All references to the "Agreement" are references to this Agreement and all Exhibits, all as amended from time to time. To the extent that any provision contained in any Exhibit is inconsistent or conflicts with this Agreement exclusive of the Exhibits, the provisions of this Agreement (exclusive of the Exhibits) shall control.

(12) PRESS RELEASES/PUBLICITY. StarTek shall not issue any new press releases or publicity that may relate or refer to this Agreement. Any press statements shall only be released by joint agreement of the parties, except as legally required by the SEC or NYSE. StarTek shall not use the name "Microsoft" or "Microsoft Corporation" in any advertisements. StarTek may, however, with the prior written consent of MICROSOFT, use the name "Microsoft Corporation" in brochures, written response to requests for client lists as part of requests for proposals, requests for information, etc. StarTek may also use the name "Microsoft" or "Microsoft Corporation" in verbal client presentations.

(13) INSURANCE. Prior to the commencement of the Services to be performed hereunder and throughout the entire period of performance by StarTek, StarTek shall procure and maintain the insurance coverage set forth in Exhibit C. Such insurance shall be in a form and with insurers acceptable to MICROSOFT, and shall comply with the minimum requirements set forth in Exhibit C.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above. All signed copies of this Agreement shall be deemed originals.

MICROSOFT IRELAND OPERATIONS LIMITED	STARTEK INC.
/s/ Kevin Dillon	/s/ Michael W. Morgan
By	By
Kevin Dillon	Michael W. Morgan
Name (Print)	Name (Print)
General Manager	President and Chief Executive Officer
Title	Title
June 10, 1999	June 10, 1999
Date	Date

EXHIBIT A

STARTEK EUROPE, INC. TURNKEY

STATEMENT OF WORK

FEBRUARY 3, 1999

EXHIBIT A

STARTEK EUROPE MFG. TURNKEY STATEMENT OF WORK

For purposes of this Exhibit, "MS" shall mean Microsoft Ireland Operations Limited and "Company" shall mean StarTek Europe, Inc.. All other capitalized terms not otherwise defined in this Exhibit shall have the same meaning as set forth in the Agreement to which this is an Exhibit.

1. GENERAL:

1.1 Purpose and Requirement Scope:

This document describes the requirements that Company must meet as a manufacturer and service provider to MS. The general requirements under this agreement are:

1.1.1 Source and procure raw material in accordance with MS specifications.

1.1.2 Build finished package product in accordance with MS specifications in the quantities ordered by MS pursuant to a Purchase Order.

1.1.3 Make Finished Product Units available to a MS designated distribution center.

1.1.4 Provide information regarding production and delivery as required.

2. SCOPE OF BUSINESS:

2.1 MS MAY ELECT TO SPLIT THE BOOK OF BUSINESS BETWEEN TWO OR MORE COMPANIES.

3. FORECASTS:

3.1 * Rolling Forecast:
MS will provide a * rolling forecast for * for all Products anticipated to be built by Company. This forecast may be used by Company at Company's discretion for planning and procuring raw materials and Company relies on such forecast entirely at its own risk. MS may change the forecast up to the issuance of a purchase order with no penalty or responsibility for any raw materials, Product Components, or Product acquired/built to such forecast.

3.2 Manufacturing Systems:
Company shall perform procurement, scheduling and manufacturing activities on their own manufacturing system(s). MS will not be responsible for providing Company with any manufacturing system.

4. PURCHASE ORDER PROCEDURES:

4.1 Purchase Orders (PO):
During the term of the Agreement, MS will issue a * Purchase Order (PO) for Finished Product Units to Company on * for *. Each PO so issued shall require Finished Product Units to be prepared and delivered to the distribution center * from the PO issue date. The purchase order will include but not be limited to the SKU, quantity, price and required delivery date. MS may prioritize Products on the PO so Company will be able to build more urgent requirements first. The purchase order will officially authorize Company to manufacture MS Products. MS accepts ownership and liability for raw materials and finished goods inventory that have been purchased and/or built in support of the * PO.

4.2 ONCE MS HAS ISSUED A PO, MS MAY CHANGE THE BUILD REQUIREMENTS OR ISSUE ENGINEERING CHANGE NOTICES (ECN) CORRESPONDING TO THAT PO, BUT RAW MATERIALS PROCURED BY COMPANY TO FULFILL SUCH PO THAT ARE LEFT UNUSED WILL BE THE RESPONSIBILITY OF MS. COMPANY MAY CHARGE MS FOR THE STORAGE OF ANY SUCH UNUSED RAW MATERIALS REMAINING IN COMPANY'S WAREHOUSE * AFTER FULFILLMENT OF THE PO. MS WILL REIMBURSE COMPANY FOR THE COST OF SUCH RAW MATERIALS IF THEY REMAIN UNUSED. IN ORDER TO BE REIMBURSED BY MS, COMPANY MUST PROVIDE A RAW MATERIAL INVENTORY AGE REPORT FOR WHICH MS OWNS LIABILITY UPON EXPIRATION OF THE * HOLDING PERIOD. IN CASE OF AN ECN THAT STOPS AND/OR STARTS A COMPONENT, COMPANY MUST NOTIFY MS OF THE RELATED CHARGES WITHIN * OF THE CHANGE ORDER. RELATED CHARGES WILL BE TRACKED AND REVIEWED AT THE QUARTERLY BUSINESS REVIEW ("QBR"). THIS NOTIFICATION MUST INCLUDE THE MS ECN#, THE COMPONENT PART NUMBER AND THE QUANTITY THAT MS IS LIABLE FOR. MS WILL DETERMINE AND COMMUNICATE IN WRITING WHETHER OR NOT TO SCRAP ANY RAW MATERIAL OR FINISHED GOODS AND REIMBURSE COMPANY ACCORDINGLY.

MS intends to remit payment to Company, * or via the autovoucher process, for all Finished Product Units upon receipt of the advanced ship notice from the applicable distribution turnkey vendor ("DTV"). All invoices shall be expressed in Euros. All error-free invoices submitted by Company will be paid within the payment terms of the Agreement. When invoice discrepancies are found, invoices will be immediately returned to Company for correction and re-submittal. Corrected invoices submitted to MS must reflect a revised invoice date (not the original invoice date). It is in Company's best interest to submit error free invoices to MS for prompt payment, as invoice errors will delay MS payment to Company. Microsoft will make payments for services in Euros.

5. FINISHED GOODS TRANSACTION REPORT AND RECEIPTS:

5.1 WHEN PRODUCTION HAS BEEN COMPLETED PER THE MS PURCHASE ORDER, COMPANY MUST NOTIFY DTV OF THE COMPLETED FINISHED GOODS.

5.1.1 Company will send a * build order report to the DTV . When finished goods have been built, Company will provide the DTV with an ASN in accordance with MS specifications. The DTV plans to scan the product into its system within * of arrival and send a receipt confirmation to MS and Company by * . Company will review the receipt confirmation and resolve any discrepancies with the DTV within *

5.1.2 Company must notify MS * of any inventory movements that may require inventory adjustments. Adjustments include but are not limited to quality issues, cycle count adjustments, first article sample, rework and site to site stock transfers.

6. PROCUREMENT:

6.1 COMPANY WILL BE RESPONSIBLE FOR PROCURING ALL RAW MATERIALS FOR ASSEMBLY. RAW MATERIALS PROCURED MUST MEET MS GLOBAL QUALITY SPECIFICATIONS FOR FULL PACKAGED PRODUCT. MS MAY AT TIMES DESIGNATE `APPROVED SUBCONTRACTORS' FOR CERTAIN RAW MATERIAL COMPONENTS SUCH AS SECURITY COMPONENTS, THIRD PARTY PIECES AND HARDWARE. WHERE MS HAS MADE SUCH A DESIGNATION IN RESPECT OF A PARTICULAR RAW MATERIAL COMPONENT, COMPANY SHALL OBTAIN THAT RAW MATERIAL COMPONENT FROM THE SOURCE THAT HAS BEEN DESIGNATED BY MS ONLY AND SHALL NOT OBTAIN THAT RAW MATERIAL COMPONENT FROM ANY OTHER SOURCE WITHOUT THE PRIOR EXPRESS WRITTEN APPROVAL OF MS. MS MAY AT TIMES SUPPLY RAW MATERIAL TO COMPANY. COMPANY WILL BE NOTIFIED OF THE APPROVED SUBCONTRACTORS. ALL RAW MATERIALS THAT COMPANY PROCURES ARE SUBJECT TO AUDIT WITHOUT NOTICE AT COMPANY'S FACILITY FOR ADHERENCE TO MS GLOBAL QUALITY STANDARDS FOR FULL PACKAGED PRODUCT *.

6.2 Pre-Press Work, Engineering, and Die Charges:
These are costs associated with the output of electronic files to plate ready film, color separations, proofs prototype, die charges and are not to be calculated in the unit or component cost of the part.

These are to be billed on a separate invoice to MS noting the MS part number to which the costs are related to. Costs associated with frequently performed services such as outputting post-script files for manual text, preparing provided film for plate imposition etc. shall be charged at agreed to rates. Charges for other more non-standard goods and services above and beyond agreed rates shall be billed * provided Company can demonstrate that these charges are competitive for similar goods and services within the region. Where these services are provided to or on behalf of Company by a sub-contractor, approval supplier and/or MS authorised replicator, Company shall bill MS for these services at the same rate that Company was charged without additional cost or mark up.

7. SUBCONTRACTING:

7.1 ANY REFERENCES TO SUBCONTRACTORS IN THIS EXHIBIT SHALL BE SUBJECT TO THE REQUIREMENTS FOR SUBCONTRACTORS SET FORTH IN THE AGREEMENT.

8. PRINTING:

8.1 Print and/or Procure:
Company must be capable of printing and/or procuring printed materials per MS provided specifications and in quantities to meet MS's finished goods production requirements.

8.2 Print Specifications:
Printed materials must meet the quality standards and specifications identified in MS Print pecifications and in the MS Quality Standards. For ongoing business Company will access all required quality specifications using the Internet on *. From time to time printed samples may be requested. Company must supply samples to MS upon request.

8.3 Disposal of Printed Materials:
Company shall, or shall procure that the MS authorised replicator, replicating printed material on behalf of Company, shall ensure that all obsolete printed material is shredded prior to disposal.

8.4 Monitor and Order Artwork For Printing:
It is Company's responsibility to *.

8.4.1 IDENTIFY COMPONENTS:
Company will receive a Bill of Materials (BOM) via Electronic Delivery Tool (future) or email/fax * in an Excel spreadsheet. Company will review the MS BOM and determine whether or not artwork is needed.

8.4.2 TRACK COMPONENTS:
Company must have an internal mechanism to track outstanding artwork and receipt dates for film. The purpose of the tracking mechanism is to proactively monitor whether outstanding artwork will impact Product builds. It will also provide MS visibility to ensure that MS deliverables are on schedule for Product release.

8.4.3 MONITOR MS ARTWORK RELEASE:
Company will receive a * report via email from MS print release lab. It is Company's responsibility to monitor the * print release report. This report notifies Company that the printed components have been released to manufacturing.

8.4.4 PULLING ELECTRONIC FILES:
It is Company's responsibility to pull the electronic files using Microsoft's Electronic Delivery Tool (EDT). Electronic files include: 1-2 color print components, print specifications, film order forms (see below) and software images.

8.4.5 ORDERING FILM:
For film-based components (over 2 colors) it is Company's responsibility to pull film order forms from EDT. Once the form is pulled, Company completes all required information (film requirements, ship-to address, required delivery date and MS PO# etc.) and sends the film order via email directly to the designated film house.

Company (or their print subcontractor) must report all printed material discrepancies immediately to MS * using an MS discrepant art report form.

8.5 Registration / License Card Printing:
Company shall have the capability to imprint or have printed product part numbers; product ID numbers or other MS identified information on MS registration cards and MS license agreements.

8.6 CD Component Printing:
Company shall have the capability to print or shall approve a subcontractor of supply of printed components included in CD-ROMs. These components shall consistently meet the quality requirements of MS CD ROM Quality Specifications *. For ongoing business with MS Company will access all required quality specifications using the Internet on *.

9. DISK DUPLICATION:

9.1 DUPLICATED DISKS MAY BE PRODUCED OR PROCURED BY COMPANY, AS SET FORTH IN THE * PO.

9.2 Disk Duplication Capabilities:
Company or Company's duplication subcontractor must be capable of duplicating diskettes in accordance with the requirements identified in MS Global Quality standards. Company or Company's duplication subcontractor duplication equipment must have the ability to control all aspects of the quality of the duplication process including image integrity, bit placement, window margin, and revolutions per minute (RPM) of the drive spindle.

9.3 Disk Duplication Quality Control:
Company or Company's duplication subcontractor must have *. *shall be used to ensure that the proper image is being duplicated.

9.4 Disk Duplication Processes:
Company or Company's duplication subcontractor must have:

9.4.1 A preventive maintenance program or backup subcontracting program in place capable of preventing disk-duplicating delays for finished goods production.

9.4.2 A formal training program must be in place for all duplication operators and support personnel.

9.4.3 A staff technically capable of supporting all of MS's duplication requirements within the * production variability range.

9.4.4 A write and verify process for all duplicated Product.

9.4.5 The capability to utilize MS DMF, PID and other tools when necessary.

9.5 Virus Prevention:
To ensure that every possible avenue to prevent MS deliverable Product from being infected with a computer virus, Company shall implement the following:

9.5.1 *

*

9.5.1.1 *

9.5.1.2 *

9.5.1.3 *

9.5.1.4 *

9.5.1.5 *

9.6 Diskette Quality:
Company or Company's duplication subcontractor must perform quality checks on duplicated disks. Diskettes shall be duplicated and verified in accordance with the MS Floppy Diskette workmanship specification (S000257). Company must be capable of tracking and reporting duplication performance data.

9.7 Customer Master Disk Handling:
Company or Company's duplication subcontractor must have the capability of receiving software master images *. Company or Company's duplication subcontractor shall ensure proper handling, storage, retrieval and control of the master disk(s) provided or created to ensure the integrity of the software images.

9.8 Disk Copy Protection and Serialization:
Company or Company's duplication subcontractor disk duplication process must be capable of supporting disk copy protection and *.

9.9 Disk Labeling and Collation:

9.9.1 LABEL IMAGES:
MS will provide all label images *.

9.9.2 LABEL PRINTERS:
Company or Company's duplication subcontractor shall print *.

9.9.3 LABELERS:
Company or Company's duplication subcontractor's labeling equipment and/or procedures shall be capable of consistently meeting or exceeding MS's label placement specification as described in the *. For ongoing business with MS Company will access all required quality specifications using the Internet on *.

9.9.4 COLLATION:
Company or Company's duplication subcontractor shall have sufficient and appropriate process equipment to seal collated disk sets into polyvinyl bags. Company is responsible for ensuring that collation process for diskettes meets MS Floppy Diskette workmanship specification (S000257).

10. CD REPLICATION:

10.1 CDs MAY BE PRODUCED OR PROCURED BY COMPANY, AS SET FORTH IN THE * PO. COMPANY OR COMPANY'S CD SUBCONTRACTOR SHALL HAVE DOCUMENTED PROCESSES AND APPROPRIATE EQUIPMENT TO EFFECTIVELY PRODUCE CD-ROM'S AND ASSOCIATED CD COMPONENTS WHICH CONSISTENTLY MEET OR EXCEED THE REQUIREMENTS OF THE MS GLOBAL QUALITY SPECIFICATIONS FOR CD ROM. COMPANY OR COMPANY'S CD SUBCONTRACTOR AGREES TO PERFORM ALL REQUIRED MAINTENANCE ON THE EQUIPMENT AT ITS OWN COST. COMPANY OR COMPANY'S CD SUBCONTRACTOR SHALL HAVE A SECURE PROCESS AND LOCATION TO HOLD CD-ROMS AND MATERIAL UNTIL THEY CAN BE RENDERED UNUSABLE OR RECYCLED. WHEN COMPANY PRODUCES OR PROCURES CDs, THE FOLLOWING APPLY:

10.2 CD-ROM Production Processes:
Company or Company's CD subcontractor shall have documented processes for the following:

10.2.1 A preventative maintenance program or backup subcontracting program in place capable of preventing delays for finished goods production.

10.2.2 A formal training program in place for all CD operations (Premastering, Mastering, and Replication) and support personnel.

10.2.3 A staff technically capable of supporting all of MS's CD requirements within the * production variability range.

10.3 CD Handling of CD-ROM Masters:
Company or Company's CD subcontractor shall have documented procedures in place, which ensure proper handling, storage, and retrieval of MS supplied CD master files.

10.4 CD Anti-Piracy and * :
Company or Company's CD subcontractor shall be capable of supporting Anti-Piracy initiatives and * applicable to CD-ROMs upon MS request.

10.4.1 Company shall procure that the MS authorised replicator replicating CD-ROMs on behalf of Company shall maintain records of all PID numbers assigned at SKU, CD-ROMs set and CD-ROMs assembly level. Company shall maintain such records in electronic format for a period of * from the relevant Purchase Order and shall make such records available to MS within * of a request from MS. Company shall procure that the MS authorised replicator replicating CD-ROMs on behalf of Company shall comply with the provisions of this Section 10.3.2.

10.4.2 Company shall, and shall procure that the MS authorised replicator replicating CD-ROMs on behalf of Company, ensure that PID numbers are always unique, never duplicated and never misallocated.

10.5 CD-ROM Quality Control:
Company or Company's CD subcontractor shall have a documented verification process in place to ensure the integrity of the replicated CD-ROM matches the original supplied by MS. In addition, Company or Company's CD subcontractor of supply shall have documented and implemented processes to verify * parameters which ensure compliance to MS Global Specifications. Company will access all required quality specifications using the Internet on *. Company or Company's CD subcontractor must be capable of tracking and reporting CD quality data to Ms

10.6 CD LABEL Screen Printing:
Company or Company's CD subcontractor, should have a process to receive CD label images *. Process must be established to ensure the correct label image is applied to the correct CD title. Processes must prevent any CD's used in the setup of the print processes *.

10.7 *

11. PRODUCTION:

11.1 Assembly Capability:
If MS demand exceeds Company's capacity and subcontracting is necessary to meet this demand, MS must be notified prior to proceeding with off-site builds. The MS Global Quality Specifications for full packaged Products as stated in the * directory must be met.

11.2 *
Company shall have the proper equipment to make * for retail products and shippers in accordance with MS specifications *.

11.3 Shrink-Wrapping:
Company shall be capable of shrink-wrapping all sizes of Products, in accordance with *.

11.4 Assembly Quality:
Company shall perform in-process and final verifications of assembled Products to ensure compliance to the MS requirements and specifications. The standards included in First Article Inspection Standards for Assembled Product will be used for initial build of each Product.

11.5 Bundling:
MS may notify Company that a bundling operation is required and will provide Company with SKU number, quantity and specific bundling instructions. Company shall provide the MS Vendor Account Manager (VAM) with a firm fixed price quotation for the bundling effort within *in sufficient detail to allow MS to perform an analysis of the major cost elements. The VAM will provide Company with written authorization to proceed at the agreed upon price. Company shall be responsible for bundling the Products in accordance with the MS provided bundling instructions and submitting an invoice to the VAM at the agreed upon price. Company may be required to purchase finished goods and/or raw materials from other Companies to fulfill the bundling requirement(s).

11.6 Rework:
MS may notify Company that rework is required and will provide Company with SKU number, quantity and requested completion date. Company shall provide the MS VAM with a firm fixed price quotation for the rework effort within *, in sufficient detail to allow MS perform an analysis of the major cost elements. The VAM will provide Company with written authorization to proceed at the agreed upon price. Company shall be responsible for reworking the Products in accordance with the MS BOM and submitting an invoice to the VAM at the agreed upon price. A touch is defined as one activity per component for pricing purposes.

11.7 Orders Requested Prior to Normal Lead-Time:
There will be situations where MS will request orders to be built in less than the normal * lead-time. (Please reference section 4.1 hereof). When MS requests such an order, Company will reply with at least but not limited to two options. One option will be the best date based on a non-cost impact to the production schedule. The second option will be the best date with additional costs incurred. This will give MS the opportunity to decide which option best suits the situation. These orders will be communicated to Company by the MS VAM in situations where

faster Product deliveries are required due to urgent customer requests. The MS VAM and Company shall mutually agree that the option taken is acceptable and the MS VAM will provide authorization to proceed.

11.8 Scrap Process:
Sub-contractors must have written authorization from MS VAM prior to scrapping and/or disposing of MS finished goods or components.

12. DELIVERY REQUIREMENTS:

12.1 Preparation:
Company is responsible for making the Finished Product Units and shipment to the Distribution Center. This preparation includes ensuring that finished goods are correctly palletized, shrink-wrapped and ready for transit to the Distribution Center.

12.2 Pallet Loading:
Company shall adhere to the MS Global specifications for pallet configuration specifications when stacking Product.

12.3 Finished Goods Handling:
Company shall have proper handling procedures for finished goods to prevent loss of damage between assembly and pick-up by the Distribution Center.

12.4 Advance Shipment Notification:
Company is responsible for providing an electronic notification to the Distribution Center as soon as shipment is in transit.

12.5 Ship Direct:
On occasion, the manufacturing supplier will be requested to prepare Product for direct shipment to the distributor. MS designated carrier will pick up Product for direct shipment. Company will invoice upon shipment. Upon doing any direct shipment, company will provide MS with electronic notification containing all relevant shipment information.

13. REPORTING / COMMUNICATION REQUIREMENTS:

13.1 Manufacturing Delay
*.

13.2 Reporting:
In addition, Company shall provide MS with the reports specified herein (each a "Report") with respect to all Products which Company manufactures. All Reports shall be timely, complete, accurate and comply with generally accepted accounting principles (where applicable). Each Report, whether in electronic or paper format, shall meet the standard report requirements identified for the Report by MS and shall be delivered *, as specified herein. Company shall use its best efforts to correct any errors in a Report the next day following MS's notice specifying the item in respect of which an error may have occurred. Company shall deliver each Report, and all supporting documentation therefor, by the time and on the Business Day specified below. A "Business Day" means each day on which Company or MS is open for business.

13.3 Company shall provide:

(a) *

13.4 MS shall provide:

(a) *

14. QUALITY:

14.1 ISO Certification:
Company shall remain ISO certified during the period of the Agreement.

14.2 Quality Records:
Company shall maintain records of inspection, repairs, reworks and tests for the term of the Agreement. Records shall be made available to MS upon request

14.3 *

14.4 *

*

14.5 Environmental Policy
Company shall implement and maintain, and shall procure that its sub-contractors, approved suppliers and MICROSOFT Authorised Replicators implement and maintain, an environmental policy which complies with all applicable environmental legislation. MS shall be furnished with written copies of all environmental policies to which this Section 14.6 applies.

15. * MANAGEMENT:

15.1 *
Company will use MS supplied Bill of Materials (BOM's) and CAD's as a reference to ensure proper assembly of Product as specified in MS Global Quality Specifications web site *. Company must inspect and approve all new releases and first time builds per first article process and shall retain its inspection records for a period of * and shall retain its first-off samples for a period of *. Company shall make all inspection records and first-off samples available to MS within * of a request from MS.

15.2 Changes TO BOM's and CAD's:
All changes to the configuration of Products will be managed through the MS Configuration group. Company must manage all resulting changes to Bills of Material accordingly. Company may make no changes to Product configuration or content without written authorization from MS, however, Company is encouraged to suggest changes that * or the Product. Any discrepancies between MS's BOM, CAD or Kit and Company's BOM shall be resolved prior to each build.

15.3 Configuration Record Retention:
Company shall maintain records of * used to assemble Product for a period of *. All records will be made available to MS upon request.

16. INFORMATION TECHNOLOGY:

16.1 Infrastructure Requirements:
Company's Facility shall have an infrastructure capable of supporting a variety of data communications required to Manufacture Product. This includes the ability to connect to MS's

external network. External network connections will be used to transfer information about Product builds.

16.2 ELECTRONIC DATA INTERCHANGE (EDI):

The following EDI transactions may be required for ongoing business with MS:

(a) 846 Inventory Advice

(b) 850 Build PO

(c) 856 Pre-Receipt Notification (ASN)

(d) 888 SKU Master Update

(e) 944 Receipt Advice

(f) Advanced Ship Notice (EDI 856)

(g) PO Receipt (EDI 861)

16.3 Technical Personnel:
The information technology requirements outlined above are deemed mission critical. Company shall have in-house or readily available technical support at Company's Facility. These Company personnel will work with MS personnel to ensure that the Facility is properly set up to communicate with MS. MS will work with Company to establish competency with any non-commercially available MS-specific software that may be used in the operation. Company will be responsible for on-going training of replacement or additional personnel used to support the operation.

16.4 Data Exchanges:
Data exchanges will be required throughout the term of the Agreement. Exchanges will occur primarily through * and may include, but are not limited to, * and routine information required to Manufacture Product. EDI capability is desired but is not required at startup of Company operation. MS may support EDIFACT transactions in the future.

16.5 System Alternatives:
MS may wish to employ any or all of the following system alternatives:

(a) *

(b) *

(c) *

(d) *

16.6 *

17. MANAGEMENT:

17.1 Meetings and Reviews:
Company will meet with designated MS team * for business reviews. These meetings will include a Company performance review, pricing reviews, continuous improvement projects, management status reviews, cost reduction initiatives and other operational areas and issues. * business reviews (QBR) may be held at Company's Facility, MS's facility or by video teleconference (VTC).

17.2 Metrics:

Unit Fill Rate%: Goal = *

Number of actual units completed on or before the p.o. due date, divided by total number of units ordered

Line Fill Rate%: Goal = *

Number of lines completed at *% on or before the p.o. due date, divided by total number of lines on the p.o. .

(NOTE: Lines with orders exceeding * units count as completed if filled at *% or greater. Lines with order quantities of less than * units need to be filled at *%).

EXAMPLE: If you have a PO for * line items for * units each, and * of the * lines shipped the * units, but the * line item shipped * units only - the Unit Fill Rate = *% (*) Line Fill rate = *% (*). No credit would be given for the * line. If * lines out of the * lines shipped * units = Line Item Fill Rate = *%.

DPPM

Applies to functional errors only. Goal: *

18. MICROSOFT GLOBAL SPECIFICATIONS:

18.1 MICROSOFT GLOBAL SPECIFICATIONS FOR RETAIL FULL PACKAGED PRODUCTS INCLUDE WORKMANSHIP AND ENGINEERING SPECIFICATIONS. FOR ONGOING BUSINESS WITH MS, THE SELECTED COMPANY(S) WILL ACCESS ALL REQUIRED QUALITY SPECIFICATIONS USING THE INTERNET ON *. WORKMANSHIP AND ENGINEERING SPECIFICATIONS ARE AVAILABLE ONLINE AT *. CHANGES TO * WILL BE COMMUNICATED MONTHLY TO COMPANY AND AS MAJOR REVISIONS OCCUR.

19. COMMON MICROSOFT ACRONYMS:

(a) BOM Bill of Materials

(b) CAD Computer Aided Drawing

(c) COGS Cost of Goods Sold

(d) CSP Customer Service Pack's

(e) DC Distribution Center

(f)	DMF	Distributed Media Format
(g)	DTV	Distribution Turnkey Vendor
(h)	ECD	Engineering Change Date
(i)	ECN	Engineering Change Notice
(j)	ECR	Engineering Change Request
(k)	EDI	Electronic Data Interchange
(l)	EDT	Electronic Delivery Tool
(m)	FINOPS	Financial Operations
(n)	ISO	International Organization of Standards
(o)	ITG	Microsoft Information Technology Group
(p)	MLP	Microsoft License Pack's
(q)	MS	Microsoft
(r)	MTV	Manufacturing Turnkey Vendor
(s)	NDA	Non-Disclosure Agreement
(t)	PDM	Product Data Manager
(u)	PID	Product Identifier
(v)	PO	Purchase Order
(w)	RMA	Returned Merchandise Authorization
(x)	UPC	Universal Product Code
(y)	VAM	Vendor Account Manager

EXHIBIT B

PRICE AND PAYMENT TERMS

PRICE AND PAYMENT TERMS FOR PRODUCT COMPONENTS

(i) During the term of this Agreement, MS will issue * Purchase Orders (P.O.'s) for Product Components to StarTek on each *. Each P.O. so issued shall require delivery of the Product Components within * of the P.O. date. If assembly services are also ordered (see Exhibit C) as part of the P.O., each P.O. so issued shall require delivery of the Product Components so ordered as part of the finished Products within * of the P.O. date. All receipts to the P.O. entered by the Shipping Location by close of business * will be paid via the MS autovoucher process.

(ii) For each P.O. issued under this Agreement for Product Components, MS agrees to pay StarTek a per Product Component price (e.g., per each Jewel Case Component ordered) to be calculated as follows:

*

Per Product Component Price =

*

(iii) *

Definitions:

*	*	
*	*	
*	*	
*	*	
	*	*
	*	*
	*	*
	*	*

(iv) StarTek may be required to produce Product Components for new MS Product SKUs at any time during the term of this Agreement. Pricing for any such Product Components will be determined by using the formula set forth in Section 2 above. StarTek agrees to make all reasonable effort to provide MS with Product Component pricing for new MS Product SKUs within * of receiving the MS Product SKU specification and BOM information from MS.

(v) From time to time BOM changes occur that may add or delete components from the MS Product SKU. These additions or deletions to the MS Product * shall be reflected accordingly in the material and labor *.

EXHIBIT C

INSURANCE

This Exhibit "C" is a continuation of that certain Manufacturing Agreement dated _______________ between MICROSOFT IRELAND OPERATIONS LIMITED ("MICROSOFT") and StarTek Inc. ("STARTEK"). Capitalized terms not otherwise defined in this Exhibit shall have the same meaning as set forth in the Agreement to which this document is an Exhibit.

1. INSURANCE

Prior to the commencement of the work to be performed hereunder and throughout the entire period of performance by STARTEK, STARTEK shall procure and maintain insurance coverage as will reasonably respond to claims and liabilities that STARTEK may encounter in the course of its business. Such insurance shall be in a form and with insurers acceptable to MICROSOFT, and shall comply with the following minimum requirements:

1.1 Insurance for loss or damage to property.
STARTEK shall obtain and maintain "All Risks" Property Insurance and marine insurance coverages covering it's liability for loss or damage to Products and any Microsoft property as detailed in Section 11 of this Agreement in its possession or control, including but not limited to loss or damage that results from the fraudulent, dishonest, or criminal acts of STARTEK, its subcontractors, or employees of STARTEK and its subcontractors. Such policies shall be written with insurers and on policy forms reasonably acceptable to MICROSOFT and shall provide limits adequate to cover the full value of Product(s) at risk, and proceeds of such policies shall be payable in *. STARTEK shall cause its insurers to endorse the policies as follows:

a) MICROSOFT shall be named as loss payee to the extent of MICROSOFT's interest in Product(s),

b) coverage provided by the policy shall be primary to and not contributory with coverage maintained by MICROSOFT,

c) rights of subrogation against Microsoft are to be waived, and

d) such policy may not be canceled or materially altered to the detriment of MICROSOFT * advance notice to MICROSOFT.

1.2 Comprehensive General Liability.
STARTEK shall obtain and maintain a policy of "general", "public", or "commercial" liability insurance written on an "occurrence form" with limits of not less than * each occurrence for bodily injury and property damage. The policy shall provide coverage for worldwide defense, premises and operations, contractual liability (including specifically the insurable contractual liability assumed in this Agreement) and products and completed operations. THE POLICY SHOULD NOT EXCLUDE COVERAGE FOR THE LATERAL SUPPORT, UNDERGROUND, EXPLOSION OR COLLAPSE HAZARDS.

MICROSOFT AND ITS DIRECTORS, OFFICERS AND EMPLOYEES, ARE TO BE INCLUDED UNDER SUCH POLICY AS ADDITIONAL INSUREDS TO THE EXTENT OF CONTRACTUAL LIABILITY ASSUMED BY STARTEK IN THIS SECTION 1.2, WITH COVERAGE TO BE PRIMARY AND NOT CONTRIBUTORY WITH ANY COVERAGE MAINTAINED BY MICROSOFT OR ON BEHALF OF MICROSOFT. THE POLICY SHALL CONTAIN A SEVERABILITY OF INTERESTS PROVISION IN FAVOUR OF THE ADDITIONAL INSUREDS.

1.3 Workers' Compensation/Health and Safety Laws and Regulations.
STARTEK shall at all times comply to the full extent with all applicable workers' compensation, occupational disease and occupational health and safety laws, statutes and regulations to the full

extent applicable and shall indemnify and keep MICROSOFT indemnified against all claims, judgements, decrees, orders, awards, costs, liabilities and expenses howsoever arising under or by virtue of such laws, statues and regulations.

1.4 Employers Liability.
STARTEK, in addition to complying with the provisions of Section 1.3 above, shall maintain coverage for employers liability with a policy limit of not less than *.

1.5 Automobile Liability
If vehicles will be used in connection with the performance of the Services, STARTEK shall maintain automobile liability insurance covering all owned, rented, and non-owned vehicles operated by STARTEK with policy limits of not less than * per accident for property damage and unlimited liability per accident for bodily injury. MICROSOFT and its directors, officers and employees are to be included as additional insureds in such policy, with coverage to be primary and not contributory with any coverage maintained by MICROSOFT or on behalf of MICROSOFT. The policy shall contain a severability of interests provision in favour of the additional insureds

1.6 Property Insurance
STARTEK shall obtain and maintain a policy of "All Risks" property insurance in respect of its buildings, premises, plant, machinery, equipment and stock with policy limits of not less *.

1.7 General Requirements Applicable to All Above Coverages -

Any deductible or retention in excess of * per occurrence or accident under any of the above-required coverages shall be subject to the approval of MICROSOFT prior to the commencement of the Services.

(b) All deductibles and premiums associated with the above coverages shall be the responsibility of STARTEK.

(c) If in the opinion of MICROSOFT the amount of liability coverage is not adequate by reason of inflationary pressures or experience or the nature and content of STARTEK activities, STARTEK shall increase the insurance coverage as required by MICROSOFT.

(d) At the request of Microsoft, STARTEK shall provide to MICROSOFT, or make available for MICROSOFT review, certified copies of the insurance policies required herein.

(e) The use of umbrella or excess liability insurance to achieve the above required liability limits shall be permitted by MICROSOFT, provided that such umbrella or excess insurance results in the same type and amounts of coverage as required under the required individual policies identified above.

(f) It is the intent of MICROSOFT that the above insurance requirements will assure adequate resources for victim compensation and will serve to minimise its involvement and liability arising out of performance of this Agreement by STARTEK.

1.8 Sub-Contractors
If STARTEK sub-contracts part of the Services to a third party pursuant to the provisions of Section 5(a) and Section 16(a), then STARTEK must ensure before such third party commences to perform those Services that such third party has, and will maintain in force for the period that they are so engaged as sub-contractor by STARTEK, insurance cover and insurance policies with equivalent limits and on the same terms as specified in this Exhibit C. In the event that any such third party does not have such insurance cover and/or insurance policies in place, STARTEK shall

indemnify and hold harmless MICROSOFT and its directors, officers and employees from any and all loss arising.

1.9 Certificates of Insurance

Prior to the commencement of the Services, STARTEK shall provide to MICROSOFT certificates of insurance evidencing full compliance with the insurance requirements contained herein. Where STARTEK sub-contracts part of the Services to a third party pursuant to Section 5(a) and Section 16(a), STARTEK shall provide to MICROSOFT certificates of insurance evidencing full compliance by such third party with the insurance requirements specified in this Exhibit C. All such certificates shall be kept current throughout the entire period of performance, and shall provide for at least * advance notice to MICROSOFT if the coverage is to be cancelled so as not to comply with the foregoing requirements.

Where such insurance is to:

(1) include MICROSOFT as an additional insured,
(2) waive rights of subrogation, be indicated to be primary to and not contributory with insurance maintained by MICROSOFT or on behalf of MICROSOFT and/or,
(4) contain a severability of interests provision in favour of MICROSOFT,

the certificate shall expressly reflect in writing that the policy contains language or endorsements that assure the insurer's acceptance of such requirements.

FAILURE BY STARTEK, TO FURNISH CERTIFICATES OF INSURANCE OR FAILURE BY MICROSOFT TO REQUEST SAME SHALL NOT CONSTITUTE A WAIVER BY MICROSOFT OF THE INSURANCE REQUIREMENTS SET FORTH HEREIN. IN THE EVENT OF SUCH FAILURE ON THE PART OF STARTEK OR ITS PERMITTED SUB-CONTRACTORS TO PROVIDE THE CERTIFICATES AS REQUIRED HEREIN, MICROSOFT EXPRESSLY RESERVES THE RIGHT TO ENFORCE THESE REQUIREMENTS, AND IN THE EVENT OF LIABILITY OR EXPENSE INCURRED BY MICROSOFT AS A RESULT OF SUCH FAILURE BY STARTEK OR ANY PERMITTED SUB-CONTRACTOR, STARTEK HEREBY AGREES TO INDEMNIFY MICROSOFT FOR ALL LIABILITY AND EXPENSE (INCLUDING REASONABLE ATTORNEY'S FEES AND EXPENSES ASSOCIATED WITH ESTABLISHING THE RIGHT TO INDEMNITY), INCURRED BY MICROSOFT AS A RESULT OF SUCH FAILURE BY STARTEK OR ITS PERMITTED SUB-CONTRACTORS.

EXHIBIT D

REQUIRED TAX INFORMATION

During the term of this Agreement, StarTek agrees to provide MICROSOFT with such information, as mutually agreed upon between the parties, that MICROSOFT determines necessary for tax compliance and statutory reporting purposes. Such information shall include, but may not be limited to the following:

A listing of all transactions, showing for each invoice:

- Invoice Number
- Date of Invoice
- Purchase Order Number(s)
- Total Charges Before *
- *
- Total Amount Due

The data provided in electronic format should agree with the information shown on actual invoices issued to MICROSOFT.

If there are any transactions that are exempt from *, such transactions should be reported separately (but the information required will still be listed as set forth above, except that *).

EXHIBIT E

APPROVED SUBCONTRACTOR LIST

EXHIBIT F

CONFIDENTIALITY AGREEMENT

StarTek
[to be addressed to StarTek]

Dear Sirs

As [an employee], [agent], [sub-contractor], [consultant] [insert as appropriate] of [Insert here name of StarTek] ("COMPANY") I acknowledge that I may have direct or indirect access to, or that there may be disclosed or released to me, information ("the Confidential Information") in relation to:-

*

Now in performance of the duties owed by me to COMPANY and in consideration of the sum of * now paid to me by COMPANY (receipt whereof I hereby acknowledge) I hereby undertake to and covenant with COMPANY that throughout the period of my [employment], [agency], [sub-contractorship], [consultancy] [insert as appropriate] and thereafter until such time as a written release shall have been received by me from COMPANY in respect of this undertaking:-

(i) I will not at any time publish or disclose or permit to be published or disclosed or make available to any person or permit to be made available to any person any Confidential Information;

(ii) I shall treat in the strictest confidence all notes, memoranda, documents, records and writing made, received or obtained by me incorporating or recording any Confidential Information and these shall be and remain the property of Microsoft Ireland Operations Ltd or Microsoft Corporation or any of its or their affiliates (as the case may be) and shall be delivered by me to Microsoft Ireland Operations Ltd or Microsoft Corporation or any of its or their affiliates (as the case may be) forthwith upon request;

(iii) in the event that any or all of COMPANY, Microsoft Ireland Operations Ltd or Microsoft Corporation or any of its or their affiliates shall have obtained any confidential or secret information from any third party under an arrangement, agreement or obligation that includes any restriction or obligation of non-disclosure of which I am or ought to be aware I shall not without the prior specific consent of COMPANY, Microsoft Ireland Operations Ltd or Microsoft Corporation or any of its or their affiliates (as the case may be) at any time infringe such restriction or obligation or do or permit to be done any act or suffer any omission which would or may result directly or indirectly in COMPANY, Microsoft Ireland Operations Ltd or Microsoft Corporation or any of its or their affiliates (as the case may be) being in breach of such restriction or obligation.

I hereby acknowledge and agree that each of the covenants contained above constitutes an entirely separate and independent restriction on me and is separate and severable and enforceable accordingly and that the duration, extent and application of each of the covenants is no greater than is reasonably necessary for the protection of the legitimate interests of COMPANY, Microsoft Ireland Operations Ltd or Microsoft Corporation or any of its or their affiliates and accordingly if any of the restrictions shall be adjudged by any court of competent jurisdiction to be void or unenforceable but would be valid and enforceable if part of the wording thereof was deleted and/or the period thereof reduced and/or the geographical area or application thereof reduced in scope, such restriction shall apply within the jurisdiction of that court with such modifications as may be necessary to make it valid, effective and enforceable.

I further acknowledge and agree that the benefit of each of the provisions of this Agreement be and is hereby made available to each of Microsoft Corporation and Microsoft Ireland Operations Ltd to the intent that each of them shall be entitled in its own name and in its own right to require of me the due performance of each such provision as aforesaid.

SIGNED SEALED AND DELIVERED

by [Insert name of employee, agent, sub-contractor or consultant (as appropriate)]
on the day of 199

Exhibit 21.2

SUBSIDIARIES OF THE REGISTRANT

NAME OF SUBSIDIARIES	STATE OF INCORPORATION	SUBSIDIARIES ARE DOING BUSINESS AS
StarTek USA, Inc.(a) (formerly named StarPak, Inc.)	Colorado	StarTek Teleservices, Inc. StarTek Technical Services, Inc. StarTek Internet, Inc. StarTek, Inc. StartPak, Inc.
StarTek Europe, Ltd.(a) (formerly named StarPak International, Ltd.)	Colorado	StarPak, Inc. StarPak International, Ltd.
StarTek Pacific, Ltd.(a)	Colorado	StarTek Pacific, Ltd.
Domain.com, Inc.(a)	Delaware	Domain.com, Inc.
Good Catalog Company(b)	Delaware	gifts.com

- ------------------------------------
(a) Wholly owned subsidiary of StarTek, Inc.
(b) 19.9% owned by Domain.com, Inc., a wholly owned subsidiary of StarTek, Inc.

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Amendment No. 1 to the Registration Statement (Form S-8 No. 333-77009) pertaining to the StarTek, Inc. Stock Option Plan and the StarTek, Inc. Director Stock Option Plan of our report dated February 11, 2000, with respect to the consolidated financial statements of StarTek, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 1999.

ERNST & YOUNG LLP

Denver, Colorado
March 8, 2000

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1999 INCLUDED IN STARTEK, INC'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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JAN-01-1999
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23,907
22,567
775
3,740
64,193
38,810
12,052
101,435
23,979
5,964
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205,227
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166,880
334
332
20,823
7,800
13,023
0
0
0
13,023
0.94
0.92