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, 2000.

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.

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 February 28, 2001, 14,034,221 shares of common stock were outstanding and held by approximately 3,791 holders. The aggregate market value of common stock held by non-affiliates of the registrant on such date was approximately $72.5 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 2001 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 which 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 principal clients, loss or delayed implementation of a large project or service offering for a principal client, which could cause substantial 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, risks related to the Company's investment in and notes receivable from Gifts.com, Inc., risks related to the Company's Internet web site operations, risks related to the Company's portfolio of Internet domain names, and risks related to changes in valuation of the Company's investments. 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. Similarly, it is impossible for management to foresee or identify all such factors. As such, investors should not consider the foregoing list to be an exhaustive statement of all risks, uncertainties, or potentially inaccurate assumptions. 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 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 a comprehensive offering of supply chain management services, high-end inbound technical support, provisioning management for complex telecommunications systems, and E-commerce support and fulfillment. 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 the 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 largest client, based on 2000 revenues, has utilized StarTek's outsourced services since 1996. 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".

StarTek's existing 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 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, Texas, and Oklahoma. 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 Gifts.com, Inc. Gifts.com, Inc. provides two Internet web sites that sell gifts on-line and operates a gifts catalog business.

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 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 services for non-core operations of its clients. 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 limited to:

Supply Chain Management. 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. Such products and related components are then assembled and packaged at certain of the Company's facilities. The Company monitors supplier quality by visiting 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 allow StarTek to be flexible and responsive to its clients, while minimizing cost and dependency on any single supplier.

The Company assembles and packages products in the United States, 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.

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.

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 specially trained in the 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.

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

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.

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 23.8% of the Company's revenues during 2000. 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 its 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 Gifts.com, Inc. Gifts.com, Inc. provides two Internet web sites that sell gifts on-line and operates a gift catalog business.

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 revenue streams from, or 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 result in reduced waste and increased 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 Internet Web Site Portfolio. Management believes the Company can continue to develop revenue and profit streams from certain of its Internet sites, or establish 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 37 clients in 2000. StarTek's current client base consists of companies engaged primarily in computer software, Internet, E-commerce, computer hardware, technology, consumer products, and telecommunications industries. Currently, the Company is also targeting financial services and health care companies. Microsoft Corporation and AT&T Corporation accounted for 70.3% and 14.5%, respectively, of the Company's revenues in 2000. 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 a 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. Additionally, to attract new clients to StarTek's services, the Company maintains 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 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, training, and retaining large numbers of full and part-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, a competitive range of employee benefits, and provides employees with clear, visible career paths. To meet its service objectives, the Company also utilizes temporary employees. As of December 31, 2000, the Company had approximately 2,574 full-time equivalent employees. The number of temporary employees varies substantially due to the seasonal nature of StarTek'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 at twelve locations in nine separate cities helps reduce this 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 back up 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. 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 along with customer feedback surveys to continuously monitor and enhance its service quality.

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

Currently, StarTek owns or operates the following facilities, containing in aggregate, approximately 969,874 square feet:

PROPERTIES	YEAR OPENED OR ACQUIRED	SQUARE FEET	LEASED, COMPANY OWNED, OR OTHERWISE
U.S. Facilities			
Greeley, Colorado	1987	100,000	Company Owned
Denver, Colorado	1995	138,000	Company Owned
Greeley, Colorado	1998	35,000	Company Owned
Laramie, Wyoming	1998	22,000	Company Owned
Clarksville, Tennessee	1998	305,000	Company Owned (a)
Grand Junction, Colorado	1999	46,350	Leased
Greeley, Colorado	1999	88,000	Company Owned
Big Spring, Texas	1999	30,000	Leased
Enid, Oklahoma	2000	47,524	Company Owned
Grand Junction, Colorado	2000	54,500	Leased
Denver, Colorado	2000	5,500	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) 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 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, 2000.

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. StarTek's common stock also trades on the Pacific Exchange, Chicago Stock Exchange, Boston Stock Exchange, Philadelphia Stock Exchange, and Berlin Stock Exchange. High and low sale prices of StarTek's common stock for 1999 and 2000 were:

	1999		2000	
	HIGH	LOW	HIGH	LOW
First Quarter	14	10 3/8	76	28 5/8
Second Quarter	24 3/4	9 15/16	79 1/4	44 3/16
Third Quarter	55	21 13/16	52 3/4	28 7/8
Fourth Quarter	69	21 3/8	31 1/2	11 3/4

The closing sale price for StarTek's common stock on February 28, 2001 was $15.55. 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 February 28, 2001, there were approximately 3,791 stockholders of record and 14,034,221 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 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, 2000, except for the following stock options, all of which were granted at exercise prices equal to the closing market price of the Company's common stock on the date the options were granted:

On October 2, 2000, the Company granted options to purchase 22,800 shares of common stock, in the aggregate, to 228 employees pursuant to the Company's employee stock option plan. These options vest at a rate of 20% per year beginning October 2, 2001, expire October 2, 2010, and are exercisable at a price of $30.56 per share.

On November 29, 2000, the Company granted options to purchase 57,500 shares of common stock, in the aggregate, to 17 employees pursuant to the Company's employee stock option plan. These options vest at a rate of 20% per year beginning November 29, 2001, expire November 29, 2010, and are exercisable at a price of $17.67 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				
	1996	1997	1998	1999	2000
	(dollars in thousands, except per share data)				
INCOME STATEMENT DATA:					
Revenues	$ 71,584	$ 89,150	$ 140,984	$ 205,227	$ 200,750
Cost of services	57,238	71,986	115,079	166,880	153,629
Gross profit	14,346	17,164	25,905	38,347	47,121
Selling, general and administrative expenses	7,764	8,703	14,714	20,338	20,950
Management fee expense	6,172	3,126	--	--	--
Operating profit	410	5,335	11,191	18,009	26,171
Net interest income (expense) and other	(372)	933	2,254	2,814	4,655
Income before income taxes	38	6,268	13,445	20,823	30,826
Income tax expense	112	2,110	4,901	7,800	11,406
Net income (loss)	$ (74)	$ 4,158	$ 8,544	$ 13,023	$ 19,420
Earnings per share:					
Basic			$ 0.62	$ 0.94	$ 1.39
Diluted			$ 0.62	$ 0.92	$ 1.36
Weighted average shares outstanding:					
Basic			13,828,571	13,874,556	14,016,851
Diluted			13,828,571	14,139,149	14,279,409
SELECTED OPERATING DATA:					
Capital expenditures, net of proceeds	$ 1,333	$ 3,191	$ 13,927	$ 12,591	$ 8,625
Depreciation and amortization	$ 1,438	$ 1,829	$ 2,852	$ 4,715	$ 5,482
BALANCE SHEET DATA (DECEMBER 31):					
Working capital	$ 2,895	$ 38,704	$ 38,336	$ 40,214	$ 56,146
Total assets	22,979	58,172	80,201	101,435	122,283
Total debt	6,475	664	4,225	7,424	11,497
Total stockholders' equity	$ 7,103	$ 46,006	$ 54,133	$ 71,046	$ 91,964

SELECTED UNAUDITED PRO FORMA INFORMATION:

	YEAR ENDED DECEMBER 31	
	1996	1997
	(in thousands except per share data)	
Historical net income (loss)	$ (74)	$ 4,158
Add back management fee expense	6,172	3,126
Less applicable income tax expense	(2,204)	(1,394)
Pro forma net income	$ 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, 1999, and 2000.

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

All statements contained in this Form 10-K which 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 principal clients, loss or delayed implementation of a large project or service offering for a principal client, which could cause substantial 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, risks related to the Company's investment in and notes receivable from Gifts.com, Inc., risks related to the Company's Internet web site operations, risks related to the Company's portfolio of Internet domain names, and risks related to changes in valuation of the Company's investments. 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. Similarly, it is impossible for management to foresee or identify all such factors. As such, investors should not consider the foregoing list to be an exhaustive statement of all risks, uncertainties, or potentially inaccurate assumptions. 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 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.

OVERVIEW

StarTek has historically generated revenues through the performance of process management services, which include a comprehensive offering of supply chain management services, high-end inbound technical support, provisioning management for complex telecommunications systems, and E-commerce support and fulfillment. 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 affect 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 the increasing needs of existing clients. StarTek operates from facilities in the United States, United Kingdom and Singapore. The Company's capacity expanded during 2000 through: (i) purchase of a 47,524 square-foot building in Enid, Oklahoma; and (ii) lease of a 54,500 square-foot space in Grand Junction, Colorado. These two additions, together with the Company's previously existing capacity, provided adequate capacity to accommodate physical growth experienced by the Company during 2000. 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 the needs of new clients and the increasing needs of existing clients.

The Company's cost of services include labor, telecommunications, materials, and freight expenses that are variable in nature, and certain facility expenses. All other operating expenses, including expenses related to technology support, sales and marketing, human resources, 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.

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 valued in the Company's balance sheet. 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 table should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Form 10-K, and sets forth certain consolidated income statement data expressed as a percentage of revenues:

	YEAR ENDED DECEMBER 31		
	1998	1999	2000
Revenues	100.0%	100.0%	100.0%
Cost of services	81.6	81.3	76.5
Gross profit	18.4	18.7	23.5
Selling, general and administrative expenses	10.4	9.9	10.4
Operating profit	8.0	8.8	13.1
Net interest income and other	1.6	1.4	2.3
Income before income taxes	9.6	10.2	15.4
Income tax expense	3.5	3.8	5.7
Net income	6.1%	6.4%	9.7%

2000 Compared to 1999

Revenues. Revenues decreased $4.5 million, or 2.2%, from $205.2 million in 1999 to $200.7 million in 2000. This decrease was largely due to reduced revenue from the Company's largest client and culling of less profitable business, partially offset by increased services provided to certain other clients.

Cost of Services. Cost of services decreased $13.3 million, or 7.9%, from $166.9 million in 1999 to $153.6 million in 2000. As a percentage of revenues, cost of services was 81.3% and 76.5% in 1999 and 2000, respectively. This percentage decreased primarily due to an improving mix of business, cost controls, and culling of less profitable business.

Gross Profit. Due to the foregoing factors, gross profit increased $8.8 million in 2000, or 22.9%, from $38.3 million in 1999 to $47.1 million in 2000. As a percentage of revenues, gross profit was 18.7% and 23.5% in 1999 and 2000, respectively.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $0.6 million, or 3.0%, from $20.3 million in 1999 to $20.9 million in 2000. As a percentage of revenues, selling, general and administrative expenses increased from 9.9% in 1999 to 10.4% in 2000.

Operating Profit. As a result of the foregoing factors, operating profit increased from $18.0 million in 1999 to $26.1 million in 2000. As a percentage of revenues, operating profit increased from 8.8% in 1999 to 13.1% in 2000.

Net Interest Income and Other. Net interest income and other was $2.8 million in 1999 and $4.7 million in 2000. 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 $10.0 million, or 48.0%, from $20.8 million in 1999 to $30.8 million in 2000. As a percentage of revenues, income before income taxes increased from 10.2% in 1999 to 15.4% in 2000.

Income Tax Expense. Income tax expense for 1999 and 2000 reflects a provision for federal, state, and foreign income taxes at an effective rate of 37.5% and 37.0%, respectively.

Net Income. Based on the factors discussed above, net income increased $6.4 million, or 49.1%, from $13.0 million in 1999 to $19.4 million in 2000.

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.

LIQUIDITY AND CAPITAL RESOURCES

Since its 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 and leasing arrangements.

The Company maintains a $5.0 million line of credit with Wells Fargo Bank West, N.A. (the "Bank") maturing on April 30, 2001. Management expects the Company will renew this line of credit with substantially the same terms and conditions of the existing line of credit. Borrowings under the line of credit bear interest at the Bank's prime rate (9.5% as of December 31, 2000). 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, 2000 the Company had drawn $4.0 million from this line of credit, which was repaid on January 3, 2001. As of December 31, 2000 and the date of this Form 10-K the Company was in compliance with the financial covenants pertaining to the line of credit. Collateral for the line of credit is trade accounts receivable of certain of the Company's wholly-owned subsidiaries.

Effective September 15, 1999, the Company entered into a contribution agreement (the "Contribution Agreement") and stockholders agreement with The Reader's Digest Association, Inc. ("Reader's Digest") and Gifts.com. Inc. (formerly known as 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 Gifts.com, Inc. for approximately $2.6 million in cash. Reader's Digest owns the remaining 80.1% of the outstanding common stock of Gifts.com, Inc. The Contribution Agreement provides for an assignment from Domain.com to Gifts.com, Inc. of Domain.com's right, title, and interest in and to the URL www.gifts.com. Domain.com has the right to designate at least one member of Gifts.com, Inc.'s board of directors, which consists of at least five directors. Effective November 1, 1999, Domain.com and Reader's Digest entered into a loan agreement pursuant to which Domain.com advanced an unsecured loan of $7.8 million and Reader's Digest also advanced an unsecured loan to Gifts.com, Inc. (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. Gifts.com, Inc. provides two Internet web sites that sell gifts on-line and operates a gifts catalog business.

The Company advanced two additional $0.99 million loans to Gifts.com, Inc.: the first loan was made August 2, 2000 and the second loan was made December 5, 2000. Both loans are governed by the same terms and conditions as those set forth in the $7.8 million loan agreement effective November 1, 1999. In conjunction with the loans made by Domain.com, Inc., and in order to maintain proportionate ownership interest, Reader's Digest Association, Inc., owning 80.1% of Gifts.com, Inc. made corresponding loans in the amount of $4.0 million each to Gifts.com, Inc. thereby maintaining an 80.1% ownership interest in Gifts.com, Inc.

Gifts.com, Inc. is currently experiencing operating losses, negative cash flows and a deficiency in working capital. The Company could lose its entire investment in and notes receivable from Gifts.com, Inc. An impairment of the Company's investment and notes receivable from Gifts.com, Inc. could have an adverse effect on the Company's results of operations and financial condition.

On July 18, 2000 the Company purchased a 47,524 square-foot building in Enid, Oklahoma. The Company's investment in this facility totaled $2.9 million. 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.

On December 14, 2000, the Company completed an equipment loan arrangement with a finance company maturing November 14, 2004. In connection with the equipment loan, the Company received cash of $2.1 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 a fixed rate of 7.65%, and forty-eight consecutive monthly payments. StarTek USA, Inc. is required, from time to time, to maintain certain operating ratios. As of December 31, 2000 and the date of this Form 10-K, StarTek USA, Inc. was in compliance with these financial covenants.

As of December 31, 2000, the Company had cash, cash equivalents, and investment balances of $55.0 million, working capital of $56.1 million, and stockholders' equity of $92.0 million. Cash and cash equivalents are not restricted. 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.

The Company has committed to spend approximately $2.5 million in 2001 related to property, plant, and equipment.

Net cash provided by operating activities was $15.8 million and $11.0 million for the year ended December 31, 1999 and 2000, respectively. This decrease was primarily a result of an increase in net purchases of trading securities plus net changes in operating assets and liabilities, partially offset by an increase in deferred taxes. Without the effect of net purchases of trading securities, operating cash flows were $13,068, $16,973, and $24,720 for 1998, 1999, and 2000, respectively.

Net cash used in investing activities was $28.9 million and $5.3 million for the year ended December 31, 1999 and 2000, respectively. This decrease was primarily due to a reduction in investments available for sale together with a decrease in purchases of property, plant, and equipment, combined with a decrease in the addition to notes receivable from Gifts.com, Inc.

Net cash provided by financing activities was $5.6 million and $4.8 million for the year ended December 31, 1999 and 2000, respectively. Financing activities, during both periods, consisted of principal payments on borrowings and capital lease obligations, offset by proceeds from exercises of employee stock options.

The effect of currency exchange rate changes on translation of the Company's United Kingdom and Singapore operations was not substantial during the year 2000. Terms of the Company's agreements with clients and subcontractors are typically in US dollars except for certain 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, which increases 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 its investments.

Management believes the Company's cash, cash equivalents, investments, anticipated cash flows from future operations, and $5.0 million 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. The Company's $5.0 million line of credit matures on April 30, 2001. Management expects the Company will renew this line of credit with substantially the same terms and conditions of the existing line of credit. 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 clients 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 support 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 if available, it will be available on terms favorable to the Company.

INFLATION AND GENERAL ECONOMIC CONDITIONS

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

FACTORS THAT MAY AFFECT FUTURE RESULTS

Reliance on Principal Client Relationships

Microsoft Corporation ("Microsoft") accounted for 77.5% and 70.3% of the Company's revenues for the year ended December 31, 1999 and 2000, respectively. AT&T Corporation accounted for less than 10.0% of the Company's revenues for the

year ended December 31, 1999, and 14.5% of the Company's revenues for the year ended December 31, 2000. Loss of a principal client and/or changes in timing or termination of a principal client's product launch or service offering would have a material adverse effect on the Company's business, revenues, operating results, 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 its principal client(s) or, if it were to lose its principal client(s), would be able to timely replace such client(s) with clients that generate a comparable amount of revenues. Additionally, the amount and growth rate of revenues derived from its principal clients in the past is not necessarily indicative of revenues that may be expected from such clients in the future.

Variability of Quarterly Operating Results

The Company's business is 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. However, the Company's revenues and operating results for the year ended December 31, 2000 are not necessarily indicative of revenues or operating results that may be experienced in future periods. Additionally, the Company has experienced and expects to continue to experience, quarterly variations in revenues and 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 or service offerings; (ii) expiration or termination of client projects; (iii) timing and amount of costs incurred to expand capacity in order to provide for further revenue growth from existing 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 clients.

Risks related to Investment in and Notes Receivable from Gifts.com, Inc.

Through its wholly-owned subsidiary Domain.com, Inc., the Company's investment in and note receivable from Gifts.com, Inc. of approximately $12.4 million, in the aggregate, involves a high degree of risk. Gifts.com, Inc. is currently experiencing operating losses and negative cash flows and has a deficiency in working capital. 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, Inc.'s ability to substantially increase its revenues and thereby achieve profitability, include Gifts.com, Inc.'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 catalog and 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 sites, transaction-processing systems, order fulfillment capabilities, and inventory management systems; (vii) increase awareness of its online stores; (viii) establish pricing to meet customer expectations; (ix) compete effectively in its market; (x) adapt to rapid regulatory and technological changes related to catalog operations, E-commerce and the Internet; and (xi) protect its trademarks, service marks, and copyrights. These and other uncertainties generally attributable to businesses engaging in catalog operations, E-commerce and the Internet must be considered when evaluating the Company's investment in and notes receivable from Gifts.com, Inc., and the Company's participation in the business of Gifts.com, Inc. An impairment of the Company's investment in and notes receivable from Gifts.com, Inc. could have an adverse effect on the Company's results of operations and financial condition. The Company could lose its entire investment in and notes receivable from Gifts.com, Inc.

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.

Difficulties in Managing Business Undergoing Rapid Growth

The Company has experienced rapid growth in years prior to 2000 and anticipates future growth. Anticipated 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(s); (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. The Company has begun implementation of an enterprise resource planning system to replace its current material resource planning system. There can be no assurance the Company will be able to timely and successfully implement its new system, develop and market any new services, or that 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, thus potentially making it more difficult and costly to hire qualified personnel.

Risks Associated with General Economic Conditions

StarTek operates within US and international economies which are subject to various economic, market and other factors. The Company, as well as its clients, can be particularly vulnerable to recession or other significant economic events or downturn. The US economy and related financial markets have experienced generally downward fluctuations in the past twelve months. Economic instability or continued downturn may continue for the foreseeable future. These broad economic factors can adversely affect StarTek's revenue and profit margins.

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 23.8% of the Company's revenues for the year ended December 31, 2000. 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. The Company expects gross margins in its Asia operations to decline in 2001. Additionally, there are certain risks inherent in conducting international business, including: (i) exposure to foreign currency fluctuations against the U.S. dollar; (ii) competition from others regarding labor and material costs; (iii) potentially longer working capital cycles; (iv) greater difficulties in collecting accounts receivable; (v) difficulties in complying with a variety of foreign laws and foreign tax regulations; (vi) unexpected changes in foreign government programs, policies, regulatory requirements and labor laws; (vii) difficulties in staffing and effectively managing foreign operations; and (viii) political instability and adverse tax consequences. There can be no assurance that 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 February 28, 2001, A. Emmet Stephenson, Jr., Chairman of the Board and co-founder of the Company, and his family beneficially own approximately 62.4% 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 Gifts.com, Inc., Mr. Stephenson is also a director of Gifts.com, Inc. Previously, Gifts.com, Inc. was a wholly-owned subsidiary of The Reader's Digest Association, Inc. Domain.com, Inc. is a wholly-owned subsidiary of StarTek, Inc. Gifts.com, Inc. provides two Internet web sites that sell gifts on-line, and operates a gifts catalog business.

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 February 28, 2001, Mr. Stephenson and his family and Mr. Morgan beneficially own approximately 62.4% and 4.3% of the Company's outstanding common stock, respectively. Mr. Stephenson has not entered into an employment agreement with the Company and there can be no assurance the Company can retain the services of Mr. Stephenson. On January 1, 2001 the Company entered into an employment agreement with Michael W. Morgan. The agreement, filed as an exhibit to this Form 10-K, provides for, among other things, the executive services of Mr. Morgan as determined by the Board of Directors through July 15, 2004. 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(s), 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 that 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. Certain 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.

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, and various telecommunications infrastructure. 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 has been 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 effected 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 only a minority portion of StarTek's outstanding common stock is currently available for trading without restriction under Rule 144, and since such stock sometimes trades at a relatively low volume level, any change in demand for such stock can be expected to substantially influence market prices of StarTek's outstanding common stock. The price of StarTek, Inc. shares varied from a high of $79.25 to a low of $11.75 during 2000.

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 risks related to changes in interest rates and other general market risks, equity market prices and other general market risks, and foreign currency exchange rates as of December 31, 2000. All of the Company's investment decisions are supervised or managed by its Chairman of the Board. The Company's investment portfolio policy, approved and amended by the Board of Directors during 1999, provides for investment objectives and portfolio allocation guidelines. This discussion contains forward-looking statements 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 and inflation rates or market expectations thereon, equity market prices, 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" section of 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. The Company had $22.5 million in cash and cash equivalents, which consisted of: (i) $21.9 million invested in various money market funds, overnight investments, and various commercial paper securities at a combined weighted average interest rate of approximately 6.5%; and (ii) $0.6 million in various non-interest bearing accounts. Cash and cash equivalents are not restricted. 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 substantial loss with respect to its cash and cash equivalents as a result of interest rate changes, and estimated fair value of its cash and cash equivalents approximates original cost.

Investments Available for Sale. The Company had investments available for sale, which, in aggregate, had an original cost and fair market value of $18.4 million and $17.6 million, respectively. Investments available for sale generally consisted of corporate bonds, foreign government bonds denominated in US dollars, bond mutual funds, and various forms of equity securities. The Company's investment portfolio is subject to market risk and interest and inflation rate risks. These investments will fall in value if interest and/or inflation rates thereon 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 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 US 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 US dollars; (ii) foreign government regulations; and (iii) potential for political and economic instability. Fair market value of investments in foreign government bonds (denominated in US dollars) can be expected to be more volatile than that of US 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:

	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	9.37%	$ 3,988	--	$ --	--	$ --	--	$ 3,988	$ 4,287
Corporate bonds	8.73%	--	$ 2,082	--	--	--	--	2,082	1,993
Corporate bonds	5.69%	--	--	--	$ 1,011	--	--	1,011	940
Foreign government bonds	9.26%	--	--	--	--	--	$ 1,438	1,438	1,616
Total		$ 3,988	$ 2,082	$ --	$ 1,011	$ --	$ 1,438	$ 8,519	$ 8,836

Management believes the Company has the ability to hold the foregoing 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 part of its investments available for sale portfolio, the Company was invested in equity securities which, in aggregate, had an original cost and fair market value of $9.9 million and $8.8 million, respectively.

Outstanding Debt of the Company. The Company had outstanding debt of $11.5 million, $1.9 million of which bears interest at an annual fixed rate of 7.0%, and $1.8 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 an equipment loan, $1.5 million outstanding, whereby the Company is expected to repay its debt at a variable rate of interest over a forty-eight month period. On December 14, 2000, the Company, through its wholly-owned subsidiary StarTek USA, Inc., completed an equipment loan arrangement with a finance company maturing November 14, 2004. In connection with the equipment loan, the Company received cash of $2.1 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 a fixed rate of 7.65%, and forty-eight consecutive monthly payments. StarTek USA, Inc. is required, from time to time, to maintain certain operating ratios. As of December 31, 2000 and the date of this Form 10-K, StarTek USA, Inc. was in compliance with these financial covenants.

Management believes a hypothetical 10.0% increase in interest rates would not have a material adverse affect on the Company. Increases in interest rates would, however, increase interest expense associated with the Company's existing variable rate 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 (9.5%, as of December 31, 2000). The Company had drawn $4.0 million from this line of credit, which was repaid on January 3, 2001. As of December 31, 2000 and the date of this Form 10-K, the Company was in compliance with the financial covenants pertaining to the line of credit. In the past, the Company has not hedged against interest rate changes.

Equity Price Risks and Other General Market Risks

Equity Securities. The Company held in its investments available for sale portfolio certain equity securities with original cost and fair market value, in aggregate, of $9.9 million and $8.8 million, respectively. Equity securities primarily consisted of publicly traded common stock of US based companies, equity mutual funds, and real estate investment trusts. A substantial decline in values of equity securities and equity prices in general would have a material adverse affect on the Company's equity investments. Also, prices of common stocks held by the Company would be materially and adversely affected by increasing inflation and/or interest rates or market expectations thereon, 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. The Company was invested in trading securities, which, in aggregate, had an original cost and fair market value of $14.6 million and $14.8 million, respectively. Trading securities consisted primarily of US and international mutual funds, investments in limited partnerships, and US equity securities. Trading securities were held to meet short-term investment objectives. As part of trading securities and as of December 31, 2000, the Company had sold call options for a total of 58,000 shares of US equity securities which, in aggregate, had a basis and market value of $0.1 million and $0.02 million, respectively, and sold put options for a total of 60,000 shares of US equity securities which, in aggregate, had a basis and market value of $0.1 million and $0.1 million, respectively,. The foregoing call and put options were reported net as components of trading securities and expire between January 19 and April 20, 2001.

Risk of loss to the Company in the event of nonperformance by any party 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. The foregoing call and put options, may involve elements of credit and market risks in excess of the amounts recognized in the Company's financial statements. A substantial decline and/or change in value of equity securities, equity prices in general, international equity mutual funds, investments in limited partnerships, and/or call and put options could have a material adverse affect on the Company's portfolio of trading securities. Also, trading securities could be materially and adversely affected by increasing interest and/or inflation rates or market expectations thereon, poor management, shrinking product demand, and other risks that may affect single companies, as well as groups of companies.

Foreign Currency Exchange Risks

Of the Company's revenues for the year ended December 31, 2000, 23.8% were derived from arrangements whereby the Company received payments from clients in currencies other than US dollars. Terms of the Company's agreements with clients and subcontractors are typically in US dollars except for certain 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, which increases 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 United Kingdom and Singapore operations.

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 2001 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 21 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 21 of this Form 10-K.

3. An Index of Exhibits is on pages 37, 38 and 39 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, 2000.

STARTEK, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA AND FINANCIAL STATEMENT SCHEDULES

	PAGE NUMBER IN FORM 10-K
FINANCIAL STATEMENTS:	
Report of Independent Auditors	22
Consolidated Balance Sheets, as of December 31, 1999 and 2000	23
Consolidated Income Statements, years ended December 31, 1998, 1999, and 2000	24
Consolidated Statements of Cash Flows, years ended December 31, 1998, 1999, and 2000	25
Consolidated Statements of Stockholders' Equity, years ended December 31, 1998, 1999, and 2000	26
Notes to Consolidated Financial Statements	27
SUPPLEMENTARY DATA:	
Selected Financial Data	9
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, 2000 and 1999, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2000. 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 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Denver, Colorado
February 14, 2001

STARTEK, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(dollars in thousands)

	DECEMBER 31 1999	DECEMBER 31 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,943	$ 22,543
Investments	23,907	32,413
Trade accounts receivable, less allowance for doubtful accounts of $775 and $672, respectively	21,792	20,399
Inventories	3,740	1,946
Deferred tax assets	2,363	1,902
Prepaid expenses and other assets	448	742
Total current assets	64,193	79,945
Property, plant and equipment, net	26,758	29,891
Investment in Gifts.com, Inc., at cost	2,606	2,606
Notes receivable from Gifts.com, Inc.	7,818	9,807
Other assets	60	34
Total assets	$ 101,435	$ 122,283
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 16,148	$ 8,375
Accrued liabilities	4,443	5,962
Income taxes payable	1,384	3,108
Line of credit	--	4,000
Current portion of capital lease obligations	32	--
Current portion of long-term debt	1,428	1,992
Other	544	362
Total current liabilities	23,979	23,799
Capital lease obligations, less current portion	42	--
Long-term debt, less current portion	5,922	5,505
Deferred income taxes	446	725
Other	--	290
Stockholders' equity:		
Common stock	140	140
Additional paid-in capital	45,681	47,095
Cumulative translation adjustment	25	8
Unrealized loss on investments available for sale	(596)	(495)
Retained earnings	25,796	45,216
Total stockholders' equity	71,046	91,964
Total liabilities and stockholders' equity	$ 101,435	$ 122,283

See notes to consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

Consolidated Income Statements
(dollars in thousands, except per share data)

	YEAR ENDED DECEMBER 31		
	1998	1999	2000
Revenues	$ 140,984	$ 205,227	$ 200,750
Cost of services	115,079	166,880	153,629
Gross profit	25,905	38,347	47,121
Selling, general and administrative expenses	14,714	20,338	20,950
Operating profit	11,191	18,009	26,171
Net interest income and other	2,254	2,814	4,655
Income before income taxes	13,445	20,823	30,826
Income tax expense	4,901	7,800	11,406
Net income (A)	$ 8,544	$ 13,023	$ 19,420
Weighted average shares of common stock (B)	13,828,571	13,874,556	14,016,851
Dilutive effect of stock options	--	264,593	262,558
Common stock and common stock equivalents (C)	13,828,571	14,139,149	14,279,409
Earnings per share:			
Basic (A/B)	$ 0.62	$ 0.94	$ 1.39
Diluted (A/C)	$ 0.62	$ 0.92	$ 1.36

See notes to consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(dollars in thousands)

	YEAR ENDED DECEMBER 31		
	1998	1999	2000
OPERATING ACTIVITIES			
Net income	$ 8,544	$ 13,023	$ 19,420
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,852	4,715	5,482
Deferred income taxes	(577)	(884)	691
Loss (gain) on sale of assets	(106)	3	(80)
Changes in operating assets and liabilities:			
Purchases of trading securities, net	--	(1,146)	(13,668)
Trade accounts receivable, net	(7,958)	(1,316)	1,393
Inventories	(233)	(968)	1,794
Prepaid expenses and other assets	(17)	(283)	(268)
Accounts payable	8,046	(1,285)	(7,773)
Income taxes payable	1,838	1,094	2,434
Accrued and other liabilities	679	2,874	1,627
Net cash provided by operating activities	13,068	15,827	11,052
INVESTING ACTIVITIES			
Purchases of investments available for sale	(18,684)	(19,123)	(15,818)
Proceeds from disposition of investments available for sale	8,397	13,197	21,140
Purchases of property, plant and equipment	(14,108)	(12,593)	(8,909)
Proceeds from disposition of property, plant and equipment	181	2	284
Investment in Gifts.com, Inc.	--	(2,606)	--
Notes receivable from Gifts.com, Inc.	--	(7,818)	(1,989)
Net cash used in investing activities	(24,214)	(28,941)	(5,292)
FINANCING ACTIVITIES			
Stock options exercised	--	2,368	704
Principal payments on borrowings, net	(62)	(1,057)	(1,998)
Proceeds from borrowings and capital lease obligations	3,729	4,331	6,145
Principal payments on capital lease obligations	(80)	(14)	(74)
Net cash provided by financing activities	3,587	5,628	4,777
Effect of exchange rate changes on cash	192	(164)	63
Net (decrease) increase in cash and cash equivalents	(7,367)	(7,650)	10,600
Cash and cash equivalents at beginning of period	26,960	19,593	11,943
Cash and cash equivalents at end of period	$ 19,593	$ 11,943	$ 22,543
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest	$ 58	$ 332	$ 332
Income taxes paid	$ 3,640	$ 7,484	$ 8,376
Property plant and equipment acquired or refinanced under long-term debt	$ 3,629	$ 2,031	$ 2,144
(Increase) decrease in unrealized loss on investments available for sale, net of tax	$ (514)	$ 10	$ 101

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	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL STOCKHOLDERS' EQUITY
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
Stock options exercised	46,110	--	704	--	--	704
Income tax benefit from stock options exercised	--	--	710	--	--	710
Net income	--	--	--	19,420	--	19,420
Cumulative translation adjustment	--	--	--	--	(17)	(17)
Unrealized gain on investments available for sale	--	--	--	--	101	101
Comprehensive income	--	--	--	--	--	19,504
Balance, December 31, 2000	14,033,221	$140	$47,095	$45,216	$(487)	$91,964

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 intercompany accounts and transactions.

Business Operations

StarTek has an established position as a global provider of process management service platforms and owns and operates branded vertical market Internet web sites. The Company's process management service platforms include offering of a comprehensive supply chain management services, high-end inbound technical support, provisioning management for complex telecommunications systems, and E-commerce support and fulfillment. 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 Gifts.com, Inc. (formerly known as Good Catalog Company). Gifts.com, Inc. provides two Internet web sites that sell gifts on-line and operates a gifts catalog business. The Company's investment in Gifts.com, Inc. is carried at cost. The Company does not exercise significant influence over financial or operating policies of Gifts.com, Inc.

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 (1999 - $15; 2000 - $5), 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 $8,127, $12,891, and $19,504 for 1998, 1999, and 2000 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.

The allowances for doubtful accounts at December 31, 1997 and 1998 were $383 and $441 , respectively. Provision (credit) for bad debts added (deducted) to the allowance for doubtful accounts was $124, $472, and ($75) for 1998, 1999, and 2000, respectively. Charges to the allowance for doubtful accounts, principally for charged off accounts, were $66, $138, and $28 for 1998, 1999, and 2000, respectively.

Inventory is carried net of allowance for loss in the balance sheets and the allowance was $110, $378, $596, and $437 at December 31, 1997, 1998, 1999, and 2000, respectively. Expense added to the allowance was $665, $325, and $16 for 1998, 1999, and 2000, respectively. Charges to the allowance, principally for inventory losses, were $397, $107, and $175 for 1998, 1999, and 2000, respectively.

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.

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 (CONTINUED)

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 $360 and $295 for 1999 and 2000, 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 and investments are carried at fair market values. Fair market values are determined by the most recently traded price of the security or underlying investment 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 derivative instruments (including certain derivative instruments embedded in other contracts) to be recorded as either assets or liabilities measured at fair value. SFAS No. 133 requires changes in a derivative's fair value to 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 income statement, and requires a company to formally document, designate, and assess effectiveness of transactions receiving hedge accounting treatment. SFAS No. 133 was effective for the Company on January 1, 2001. The adoption of SFAS No. 133 had no material impact on the Company.

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 Gifts.com, Inc., 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.

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

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 (CONTINUED)

Income Taxes

The Company accounts 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.

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.

3. INVESTMENTS

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, 2000, investments available for sale consisted of:

	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Corporate bonds	$ 7,081	$ 139	--	$ 7,220
Foreign government bonds	1,438	178	--	1,616
Equity securities	9,871	--	$(1,107)	8,764
Total	$18,390	$ 317	$(1,107)	$17,600

As of December 31, 2000, 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	$ 3,988	$ 4,287
Two to five years	3,093	2,933
Due after five years	1,438	1,616
	8,519	8,836
Equity securities	9,871	8,764
Total	$18,390	$17,600

Equity securities primarily consisted of publicly traded common stock of US based companies, equity mutual funds, and real estate investment trusts.

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

3. INVESTMENTS (CONTINUED)

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 $1,429 and $1,146, respectively. These trading securities consisted primarily of publicly traded common stock of US based companies and international equity mutual funds, together with certain hedging securities and various forms of derivative securities. 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 US 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 US equity securities.

As of December 31, 2000, the Company was also invested in trading securities, which, in the aggregate, had an original cost and fair market value of $14,571 and $14,813, respectively. Trading securities consisted primarily of US and international mutual funds and investments in limited partnerships. Certain investments include hedging and derivative securities. Trading securities were held to meet short-term investment objectives. As part of trading securities and as of December 31, 2000, the Company had sold call options for a total of 58,000 shares of US equity securities which, in the aggregate, had a basis and market value of $100 and $20, respectively, and sold put options for a total of 60,000 shares of US equity securities which, in the aggregate, had a basis and market value of $100 and $100, respectively. The foregoing call and put options were reported net as components of trading securities and expire between January 19 and April 20, 2001.

Risk of loss to the Company in the event of nonperformance by any party 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. The foregoing call and put options may involve elements of credit and market risks in excess of the amounts recognized in the Company's financial statements. A substantial decline and/or change in value of equity securities, equity prices in general, international equity mutual funds, investment limited partnerships, and/or call and put options could have a material adverse effect on the Company's portfolio of trading securities. Also, trading securities could be materially and adversely affected by increasing interest and/or inflation rates or market expectations thereon, poor management, shrinking product demand, and other risks that may affect single companies, as well as groups of companies.

4. INVENTORIES

The Company 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 valued in the Company's balance sheet. Inventories consisted of:

	DECEMBER 31	
	1999	2000
Purchased components and fabricated assemblies	$1,986	$1,524
Finished goods	1,754	422
	$3,740	$1,946

5. INVESTMENT IN AND NOTES RECEIVABLE FROM GIFTS.COM, INC., (FORMERLY NAMED 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 Gifts.com, Inc. (formerly known as 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 Gifts.com, Inc. for approximately $2,606 in cash. Reader's Digest owns the remaining 80.1% of the outstanding common stock of Gifts.com, Inc. The Contribution Agreement provides for an assignment from Domain.com to Gifts.com, Inc. of Domain.com's right, title, and interest in and to the URL www.gifts.com. Domain.com has the right to designate at least one member of Gifts.com, Inc.'s board of directors, which will consist of at least five directors. Effective November 1, 1999, Domain.com and Reader's Digest entered into a loan agreement pursuant to which Domain.com advanced an unsecured loan of $7,818 and Reader's Digest also

advanced an unsecured loan to Gifts.com, Inc. (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. Gifts.com, Inc. provides two Internet web sites that sell gifts on-line and operates a gifts catalog business.

STARTEK, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

5. INVESTMENT IN AND NOTES RECEIVABLE FROM GIFTS.COM, INC., (FORMERLY NAMED GOOD CATALOG COMPANY) (CONTINUED)

As part of the plan for Gifts.com, Inc., the Company, through its wholly-owned subsidiary Domain.com, Inc., agreed to advance two additional $995 loans to Gifts.com, Inc. The first loan was made August 2, 2000 and the second loan was made December 5, 2000. Both loans are governed by the same terms and conditions as those set forth in the loan agreement effective November 1, 1999. In conjunction with the loans made by Domain.com, Inc., and in order to maintain proportionate ownership interest, Reader's Digest Association, Inc., owning 80.1% of Gifts.com, Inc., made two loans in the amount of $4,005 each to Gifts.com, Inc., thereby maintaining an 80.1% ownership interest in Gifts.com, Inc.

During 1999, the Company recognized $1,100 of revenues related to services performed for Gifts.com, Inc. and $89 of interest income. For 2000, the Company recognized $1,014 of revenues related to services performed for Gifts.com, Inc. and $713 of interest income. As of December 31, 2000, regular quarterly interest of $202 was due and current from Gifts.com, Inc.

Management believes the Company's investment in and notes receivable from Gifts.com, Inc. are recoverable and no impairment loss provision is necessary. Gifts.com, Inc. is currently experiencing operating losses, negative cash flows and a deficiency in working capital. The Company could lose its entire investment in and notes receivable from Gifts.com, Inc. An impairment of the Company's investment in and notes receivable from Gifts.com, Inc. could have an adverse effect on the Company's result of operations and financial condition. The Company does not exercise significant influence over financial or operating policies of Gifts.com, Inc.

6. PROPERTY, PLANT AND EQUIPMENT

	DECEMBER 31	
	1999	2000
Land	$ 2,179	$ 2,184
Buildings and improvements	14,079	18,422
Equipment	20,333	23,732
Furniture and fixtures	2,219	2,813
	38,810	47,151
Less accumulated depreciation and amortization	(12,052)	(17,260)
Property, plant and equipment, net	$ 26,758	$ 29,891

In January 2001, the Company committed to spend $2,500 related to property, plant, and equipment.

7. LINE OF CREDIT

As of December 31, 1999 and 2000, the Company had a revolving $5,000 line of credit agreement with Wells Fargo Bank West N.A. No amount was outstanding under the line of credit as of December 31, 1999. As of December 31, 2000, $4,000 on the line of credit was outstanding, which was repaid on January 3, 2001. Interest is payable monthly and accrues at the prime rate of the bank (9.5% as of December 31, 2000). 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, 2000, 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 1999
Equipment	$162
Less accumulated amortization	(100)
	$ 62

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STARTEK, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

8. LEASES (CONTINUED)

The Company leases facilities and equipment under various non-cancelable operating leases. As of December 31, 2000, future minimum rental commitments for operating leases were:

	OPERATING LEASES
2001	$ 683
2002	657
2003	435
2004	260
2005	235
Thereafter	600
Total minimum lease payments	$2,870

Rent expense, including equipment rentals, for 1998, 1999, and 2000 was $410, $1,054, and $727, respectively.

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 "Development Board") in connection with the Development 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 9.0% 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 Development 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 Development 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 Development 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 9.0% 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, 2000, the Company had used approximately $4,382 and $1,860 of the Facility Note and Equipment Loan, respectively, and correspondingly entered into further lease arrangements with the Development Board.

All transactions related to the purchase of the notes by the Company from the Development Board and the lease arrangements from the Development 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.

10. LONG-TERM DEBT

	DECEMBER 31	
	1999	2000
7.0% to 7.9% equipment loans	$ 2,744	$ 4,011
Variable rate equipment loan	1,957	1,493
Non-interest bearing promissory note with incentive provisions	2,300	1,810
Other debt obligations	349	183
	7,350	7,497
Less current portion of long-term debt	(1,428)	(1,992)
Long-term debt, less current portion	$ 5,922	$ 5,505

STARTEK, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

10. LONG-TERM DEBT (CONTINUED)

In connection with the equipment loans, the Company provided 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 loans. The variable rate loan bears interest at the prime rate minus 1.6%, or 7.9% on December 31, 2000. StarTek USA, Inc. is required, from time to time, to maintain certain operating ratios. As of December 31, 2000, StarTek USA, Inc. was in compliance with these financial covenants.

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, 2000 were:

2001	$ 1,992
2002	1,993
2003	1,052
2004	738
2005	190
Thereafter	1,532
	$ 7,497

11. INCOME TAXES

Significant components of the provision for income taxes were:

	1998	1999	2000
Current:			
Federal	$ 5,311	$ 7,054	$ 8,729
Foreign	123	864	1,123
State	249	762	869
Total current	5,683	8,680	10,721
Deferred:			
Federal	(678)	(765)	548
State	(104)	(115)	137
Total deferred	(782)	(880)	685
Income tax expense	$ 4,901	$ 7,800	$11,406

The Company is subject to foreign income taxes on certain of its operations.

Income tax benefits associated with disqualifying dispositions of incentive stock options during 1999 and 2000 reduced income taxes by $1,654 and $710 for 1999 and 2000, respectively. 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:

	1999	2000
Deferred tax assets:		
Bad debt allowance	$ 347	$ 286
Vacation accrual	433	233
Deferred revenue	311	685
Accrued expenses	668	310
Unrealized loss on investments available for sale	360	292
Other	244	96
Total deferred tax assets	2,363	1,902
Long-term deferred tax liabilities:		
Tax depreciation in excess of book	(422)	(666)
Other	(24)	(59)
Total long-term deferred tax liabilities	(446)	(725)
Net deferred tax assets	$ 1,917	$ 1,177

STARTEK, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

11. INCOME TAXES (CONTINUED)

Differences between U.S. federal statutory income tax rates and the Company's effective tax rates for the years ended December 31, 1998, 1999, and 2000 were:

	1998	1999	2000
Tax at U.S. statutory rates	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	3.2	3.1	3.2
Other, net	(1.7)	(0.6)	(1.2)
	36.5%	37.5%	37.0%

12. NET INTEREST INCOME AND OTHER

	YEAR ENDED DECEMBER 31		
	1998	1999	2000
Interest income	$ 2,122	$ 2,741	$ 3,527
Interest expense	(58)	(332)	(332)
Other income and expense	190	405	1,460
Net interest income and other	$ 2,254	$ 2,814	$ 4,655

13. STOCKHOLDERS' EQUITY

In 1999 the Company reduced 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 eliminated the authorization of preferred stock. 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

In 2000 the Company increased the number of shares of common stock the Company has the authority to issue from 18,000,000 shares to 32,000,000 shares. As of December 31, 2000, common stock and additional paid-in capital consisted of:

Common stock; 32,000,000 shares, $.01 par value, authorized; 14,033,221 shares outstanding	$ 140
Additional paid-in capital	47,095
	$47,235

14. STOCK OPTIONS

Stock option plans have been established since 1997 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 Stock Option Plan ("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.

STARTEK, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

14. STOCK OPTIONS (CONTINUED)

Stock option activity during 1998, 1999, and 2000 consisted of:

	1998	1999	2000
Outstanding as of beginning of year	611,500	613,800	605,710
Granted	36,200	194,550	163,800
Exercised	--	(158,540)	(46,110)
Canceled	(33,900)	(44,100)	(75,320)
Outstanding as of end of year	613,800	605,710	648,080
Exercisable as of end of year	140,200	107,820	203,540

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, 2000, the exercise price for options outstanding was $74.00 for 10,100 options, $65.00 for 14,000 options, $50.50 for 16,400 options, $50.06 for 200 options, $42.75 for 67,750 options, $38.94 for 1,200 options, $38.63 for 10,000 options, $34.00 for 5,900 options, $32.81 for 12,000 options, $31.00 for 2,500 options, $30.94 for 11,000 options, $30.56 for 21,200 options, $18.50 for 42,710 options, $17.69 for 55,500 options, $15.00 for 362,600 options, $13.06 for 2,000 options, $12.69 for 6,000 options, $12.25 for 6,140 options, and $10.38 for 880 options. As of December 31, 2000, there were 6,000 fully vested options exercisable at $65.00 per share, 40 fully vested options exercisable at $50.06 per share, 13,550 fully vested options exercisable at $42.75 per share, 10,000 fully vested options exercisable at $38.63 per share, 2,560 fully vested options exercisable at $32.81 per share, 500 fully vested options exercisable at $31.00 per share, 9,830 fully vested options exercisable at $18.50 per share, 151,400 fully vested options exercisable at $15.00 per share, 1,200 fully vested options exercisable at $13.06 per share, 6,000 fully vested options exercisable at $12.69 per share, 1,580 fully vested options exercisable at $12.25 per share, and 880 fully vested options exercisable at $10.38 per share. Options for 180,270 and 42,000 shares of the Company's common stock were available for future grant as of December 31, 2000 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.

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. Fair value of options granted during 2000 was estimated as of date of grant using a Black-Scholes option pricing model assuming a range of 5.5% to 6.7% for the risk-free rate, a seven year life, a 88.8% expected volatility, and no dividends. Weighted average grant date fair market value of options granted during 1998, 1999, and 2000 was approximately $7.00 per share, $24.24 per share, and $29.68 per share, respectively. 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. 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. Similarly, had this method been used in the determination of net income for 2000, net income would have decreased by $1,577 and basic and diluted earnings per share would have decreased by $0.11.

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.

STARTEK, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(dollars in thousands, except per share data)

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. 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, 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
YEAR ENDED DECEMBER 31, 2000					
Revenues	$153,032	$ 22,226	$ 25,492	$ --	$200,750
Operating profit	21,864	2,896	1,411	--	26,171
Identifiable assets	$117,247	$ 7,207	$ 4,090	$ (6,261)	$122,283

16. PRINCIPAL CLIENTS

One client accounted for 72.5% and 77.5% of revenues for the year ended December 31, 1998 and 1999, respectively. Two clients accounted for 70.4%, and 14.5% of revenues for the year ended December 31, 2000. The loss of a principal client and/or changes in timing or termination of a principal client's product launch or service offering would have a material adverse effect on the Company's business, revenues, operating results, and financial condition. To limit the Company's credit risk, management performs ongoing credit evaluations of its clients. Although the Company is directly impacted by economic conditions in which its clients operate, management does not believe substantial credit risk existed as of December 31, 2000.

17. QUARTERLY DATA (UNAUDITED)

	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

	2000 QUARTERS ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
Revenues	$ 49,668	$ 41,589	$ 51,510	$ 57,983
Gross profit	11,211	10,365	11,833	13,712
Selling, general and administrative expenses	5,185	4,857	5,284	5,624
Operating profit	6,026	5,508	6,549	8,088
Net income	$ 4,241	$ 4,158	$ 4,947	$ 6,074
Earnings per share:				
Basic	$ 0.30	$ 0.30	$ 0.35	$ 0.43
Diluted	$ 0.30	$ 0.29	$ 0.35	$ 0.43
Weighted average shares outstanding:				

Basic	13,989,187	14,012,885	14,031,771	14,033,221
Diluted	14,292,106	14,385,895	14,292,144	14,147,147

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 (incorporated by reference from Form 10-K Annual Report filed with the Securities and Exchange Commission on March 8, 2000).
3.4	Certificate of Amendment to the Certificate of Incorporation of StarTek, Inc. filed with the Delaware Secretary of State on May 23, 2000 (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on August 14, 2000).
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Leasing, and Amendment No. 1 to Security Agreement dated December 14, 2000.

*10.30	Employment agreement dated as of January 1, 2001 between StarTek, Inc. and Michael W. Morgan.
*21.2	Subsidiaries of the Registrant.
*23.1	Consent of Independent Auditors dated March 29, 2001.

* Filed with this Form 10-K

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 29, 2001
- - ---

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 29, 2001
- - ---

/s/ Dennis M. Swenson
- - ---
Dennis M. Swenson

Executive Vice President, Chief Financial Officer, Secretary,
and Treasurer (Principal Financial and Accounting Officer)

Date: March 29, 2001
- - ---

/s/ E. Preston Sumner, Jr.
- - ---
E. Preston Sumner, Jr.
Executive Vice President and Chief Operating Officer

Date: March 29, 2001
- - ---

/s/ A. Emmet Stephenson, Jr.
- - ---
A. Emmet Stephenson, Jr.
Chairman of the Board

Date: March 29, 2001
- - ---

/s/ Ed Zschau
- - ---
Ed Zschau
Director

Date: March 29, 2001
- - ---

/s/ Jack D. Rehm
- - ---
Jack D. Rehm
Director

Date: March 29, 2001
- - ---

STARTEK, INC.
INDEX OF EXHIBITS

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* Filed with this Form 10-K

EXHIBIT 10.29

Customer Number: 17300
Lessee Number: 17292
Lease Number: 8800020227

PROMISSORY NOTE

$2,144,614.77 Funding Date: December 19, 2000

FOR VALUE RECEIVED, STARTEK USA, INC., a Colorado corporation ("Maker"), promises to pay to the order of KEYCORP LEASING, A DIVISION OF KEY CORPORATE CAPITAL INC. ("Holder"), the sum of TWO MILLION ONE HUNDRED FORTY FOUR THOUSAND SIX HUNDRED FOURTEEN DOLLARS AND SEVENTY SEVEN CENTS ($2,144,614.77) in lawful money of the United States of America (the "Principal"), with interest thereon as hereafter provided ("Interest"), to be paid in the manner set forth herein. This Note is executed pursuant to that certain security agreement (the "Security Agreement") dated as of December 14, 2000 between Maker and Holder. Capitalized terms used herein without definition shall have the meaning given them in the Security Agreement.

1. INTEREST RATE; PLACE OF PAYMENT. Interest on the balance of the Principal outstanding on this Note shall accrue from the Funding Date of this Note and shall be due and payable at a fixed rate of seven and sixty five hundredths percent (7.65%) per annum (the "Interest Rate"). Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Payment of the Principal and Interest hereunder shall be made to Holder at P.O. Box 1865, Albany, New York 12201-1865, or at such other place as Holder may designate from time to time in writing. Holder reserves the right to require payment on this Note to be made by wired federal funds or other immediately available funds.

2. REPAYMENT TERMS. The Principal and Interest shall be due and payable in forty eight (48) consecutive monthly installments payable in advance, each in an amount equal to $51,675.26 commencing and payable on the same date which is one month after the Funding Date and on the same day of each month thereafter. In addition, Maker will pay a late payment charge of five percent (5%) of any payment due hereunder that is not paid on or before the date due hereunder.

3. SECURITY. Payment of the Principal and Interest hereunder, and the performance and observance by Maker of all agreements, covenants and provisions contained herein, is secured by a first priority security interest in the Collateral.

4. PREPAYMENT. Except as contemplated by clause (3) of section 10 of the Security Agreement, Maker may not prepay, in whole or in part, the principal outstanding hereunder; provided, however, that commencing on the date following the twelve month anniversary of the Funding Date, Maker may prepay, in whole but not in part, the principal outstanding hereunder by paying to Holder such outstanding principal, together with all accrued and unpaid interest thereon, plus a prepayment premium ("Prepayment Premium") equal to a percentage of the outstanding principal calculated as follows:

Months	Prepayment Premium
1-12	0%
13-24	1/2%
25- End of Term	0%

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5. TRANSFER OR ASSIGNMENT. Holder may at any time assign or otherwise transfer or negotiate this Note in whole or in part, without any notice to Maker. The rights and obligations of Maker may not be assigned or delegated.

6. APPLICATION OF PAYMENTS. Prior to an Event of Default, each payment received on this Note shall be applied first to all costs of collection, then to unpaid late payment charges (if any) and Prepayment Premium (if any) hereunder, then to Interest as of the payment due date and the balance, if any, to the outstanding Principal as of the date received. Upon the occurrence, and during the continuance, of an Event of Default, any payments in respect of the Secured Obligations and any proceeds of the Collateral when received by Holder in cash or its equivalent, will be applied first to costs of collection and, thereafter, in reduction of the Secured Obligations in such order and manner as Holder may direct in its sole discretion, and Maker irrevocably waives the right to direct the application of such payments and proceeds and acknowledges and agrees that Holder shall have the continuing and exclusive right to apply any and all such payments and proceeds in the Holder's sole discretion, notwithstanding any entry to the contrary upon any of its books and records.

7. EVENTS OF DEFAULT. (a) Maker shall be in default if any of the following happens (an "Event of Default"): (1) Maker fails to make any installment of the Principal or Interest, or any other payment due and owing, under this Note within ten (10) days after the same becomes due and payable; or (2) Maker fails to perform any other obligation required to be performed by Maker under this Note, the Security Agreement or any of the other Loan Documents for thirty (30) days after written notice from Holder of such failure; or (3) any representation, warranty or other statement by or on behalf of Maker in connection with this Note is false or misleading in any material respect; or (4) an Event of Default has occurred and is continuing under the Security Agreement.

(b) Notwithstanding anything to the contrary contained herein, upon the occurrence of an Event of Default, Holder may declare the entire outstanding balance of the Principal, together with all accrued and unpaid Interest thereon, immediately due and payable without notice or demand which amounts shall, together with all other sums due hereunder, accrue interest from such acceleration until the date of actual payment at the Default Rate (provided, however, that should there occur an Event of Default, and if a voluntary or involuntary petition under the United States Bankruptcy Code is filed by or against Maker while such default remains uncured, the entire outstanding balance of the Principal automatically shall be accelerated and due and payable with interest thereon at the Default Rate), and Holder may exercise any and all of its remedies hereunder, under the other Loan Documents and under Applicable Law. The remedies of Holder provided herein, in the Security Agreement and under Applicable Law shall be cumulative and concurrent and may be pursued singly, successively or concurrently at the sole discretion of Holder and may be exercised as often as occasion therefor shall occur. The failure to exercise, or any delay in the exercise of, any right or remedy shall in no event be construed as a waiver, release or exhaustion of any such remedies.

8. COLLECTION COSTS. In addition to the Principal, Interest, Prepayment Premium (if any), and late payment charges (if any), Maker shall pay Holder on demand, and Holder shall be entitled to collect all costs and expenses of collection, including, without limitation, reasonable attorneys' fees, incurred in connection with enforcement of its rights and remedies hereunder and under the other Loan Documents, the protection or realization of the Collateral or in connection with Holder's collection efforts, or in connection with any bankruptcy or other judicial proceeding, whether or not suit on this Note or any foreclosure proceeding is filed. All such costs and expenses shall be payable on demand and, until paid, shall be Secured Obligations secured by the security interest granted under the Security Agreement and all other collateral, if any, held by Holder as security for Maker's obligations under this Note.

9. GOVERNING LAW; BINDING AGREEMENT. The provisions of this Note shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns. THIS NOTE IS BEING DELIVERED IN THE STATE OF NEW YORK AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAWS PROVISION OR RULE (WHETHER OF THE STATE OF NEW YORK OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK.

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10. MORE THAN ONE SIGNER. If more than one person or entity signs this Note as a Maker, the obligations contained herein shall be deemed joint and several and all references to "Maker" shall apply both jointly and severally.

11. GENERAL. Maker represents and warrants that this Note evidences a loan for business or commercial purposes. Prior to signing this Note, Maker read and understood the provisions hereof, and agrees to all terms and conditions contained herein.

12. WAIVER. MAKER AND ALL ENDORSERS, SURETIES, AND GUARANTORS HEREOF HEREBY JOINTLY AND SEVERALLY WAIVE PRESENTMENT FOR PAYMENT, DEMAND, NOTICE OF NON-PAYMENT OR DISHONOR, NOTICE OF INTENTION TO ACCELERATE THE MATURITY, NOTICE OF PROTEST AND PROTEST OF THIS NOTE. HOLDER AND MAKER HEREBY EACH WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS NOTE, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION OR PROCEEDING TO WHICH HOLDER OR MAKER MAY BE PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE, INCLUDING WITHOUT LIMITATION ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABLITY, OF THIS NOTE OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER IS MADE KNOWINGLY, WILLINGLY AND VOLUNTARILY BY HOLDER AND THE MAKER WHO EACH ACKNOWLEDGE THAT NO REPRESENTATIONS HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS NOTE AND THE OTHER LOAN DOCUMENTS.

13. USURY; PARTIAL INVALIDITY. (a) At no time shall the Interest Rate (or the Default Rate or other amounts paid or collected hereunder) exceed the highest rate allowed by applicable law for this type of loan. Should Holder ever collect interest at a rate that exceeds such applicable legal limit, such excess will be credited to the Principal.

(b) Whenever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under the laws of any applicable jurisdiction, such provision, as to such jurisdiction, shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note in any other jurisdiction.

14. NOTICES. All notices and other communications under this Note shall be in writing and shall be addressed: (a) if to Maker, 100 Garfield St., Denver, Colorado 80206; and (b) if to Holder, KeyCorp Leasing, a Division of Key Corporate Capital Inc., 54 State Street, Albany, New York 12207, Attention: Account Manager, or such other address as either party hereto shall communicate to the other party at its address specified above. All such notices and other communications shall be deemed to have been duly given if delivered by hand, overnight courier or if sent by certified mail, return receipt requested, to the party to whom such notice is intended to be given, and shall be effective upon receipt.

15. FUNDING DATE. The Funding Date for this Note shall be the date on which Holder disburses funds hereunder. TO THE EXTENT THE FUNDING DATE IS LEFT BLANK ABOVE, OR DOES NOT REFLECT THE ACTUAL DATE THAT HOLDER DISBURSES FUNDS HEREUNDER, MAKER HEREBY AUTHORIZES HOLDER TO WRITE IN THE CORRECT DATE AT THE TIME OF DISBURSEMENT.

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IN WITNESS WHEREOF, Maker, intending to be legally bound, has caused this Note to be duly executed on the day and year first above written.

MAKER:

STARTEK USA, INC.

/s/ DENNIS SWENSON
- - ------------------------------
Name:
Title: CFO

STATE OF COLORADO)
)ss.:
COUNTY OF DENVER)

On this 19 day of DECEMBER, 2000, before me the subscriber personally appeared ____________________________, who being by me duly sworn, did depose and say; that (s)he resides at DENVER County, State of COLORADO: that (s)he is a CFO of STARTEK USA, INC., the corporation described in and which executed the foregoing instrument; and that (s)he signed his/her name thereto by order of the Board of Directors of said corporation.

/s/ KEVIN EBERT
- - ------------------------------
NOTARY PUBLIC

My commission Expires:

My Commission Expires
June 08 2002

- - --

Customer Number: 17300
Lessee Number: 17292
Lease Number: 8800020227

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement" or "Security Agreement") dated as of December 14, 2000 is made by and between STARTEK USA, INC. a Colorado corporation having its chief executive office at 100 Garfield St., Denver, Colorado 80206 (the "Borrower"), and KEYCORP LEASING, A DIVISION OF KEY CORPORATE CAPITAL INC. and assigns, having an office at 54 State Street, Albany, New York 12207 ("KCL").

WITNESSETH:

1. GRANT OF SECURITY INTEREST IN THE EQUIPMENT. In consideration of one or more loans, advances or other financial accommodations at any time before, at or after the date hereof, made or extended by KCL to or for the account of the Borrower, directly or indirectly, as principal, guarantor or otherwise and to secure the prompt payment and performance in full when due, whether by lapse of time, acceleration or otherwise, of the Secured Obligations, the Borrower hereby pledges, assigns, transfers hypothecates to KCL and grants to KCL a security interest in, and acknowledges and agrees that this Agreement shall create a continuing security interest in, all of Borrower's right, title and interest in and to the Collateral.

The Secured Obligations of the Borrower are absolute, irrevocable and unconditional under any and all circumstances whatsoever and shall not be subject to any right of set-off, counterclaim, deduction, defense or other right which the Borrower may have for any reason against any vendor, supplier, manufacturer, KCL or any other party. All obligations of Borrower hereunder shall survive the expiration, cancellation or other termination of this Agreement.

2. DEFINITIONS. Unless the context otherwise requires, as used in this Agreement, the following terms shall have the respective meanings indicated below and shall be equally applicable to both the singular and the plural forms thereof:

"Alteration" shall have the meaning specified in Section 6 hereof.

"Applicable Law" shall mean all applicable Federal, state, local and foreign laws, ordinances, judgments, decrees, injunctions, writs, rules, regulations, orders, licenses and permits of any Governmental Authority.

"Authorized Signer" shall mean any officer of Borrower, set forth on an incumbency certificate (in form and substance satisfactory to KCL) delivered by Borrower to KCL, who is authorized and empowered to execute the Loan Documents.

"Certificate of Acceptance" shall mean a certificate of acceptance, in form and substance satisfactory to KCL, executed and delivered by Borrower in accordance with Section 3 hereof.

"Collateral" shall mean the Equipment and any and all substitutions, replacements or exchanges therefor, and any and all proceeds (both cash and non-cash) receivable or received from the sale, lease, license, collection, use, exchange or other disposition of the Collateral, including insurance proceeds, thereof (including, without limitation, claims of the Borrower against third parties for loss or Damage to any such collateral).

"Collateral Schedule" shall mean each collateral schedule now or hereafter attached hereto and made a part hereof, in substantially the form of Schedule 1 hereto. "Default" shall mean any event or condition which, with the passage of time or the giving of notice, or both, would constitute an Event of Default.

"Default Rate" shall mean an annual interest rate equal to the lesser of 18% or the maximum interest rate permitted by Applicable Law.

"Equipment" shall mean an item or items of personal property which are described on the Collateral Schedule, together with all replacement parts, additions and accessories incorporated therein or affixed thereto including, without limitation, any software that is a component or integral part of, or is included or used in connection with, any Item of Equipment, but with respect to such software, only to the extent of Borrower's interest therein, if any.

"Equipment Location" shall mean the location of the Equipment, as set forth on Schedule 1, or such other location (approved in writing by KCL) as Borrower shall from time to time specify in writing.

"Event of Default" shall have the meaning specified in Section 16 hereof.

"GAAP" shall have the meaning specified in Section 22(g) hereof.

"Governmental Action" shall mean all authorizations, consents, approvals, waivers, filings and declarations of any Governmental Authority, including, without limitation, those environmental and operating permits required for the ownership, lease, use and operation of the Equipment.

"Governmental Authority" shall mean any foreign, Federal, state, county, municipal or other governmental authority, agency, board of court.

"Guarantor" shall mean any guarantor of the Secured Obligations.

"Installment(s)" shall mean the periodic payments due to repay the Note, and, where the context hereof requires, all such additional amounts as may from time to time be payable under any provision of the Loan Documents.

"Item of Equipment" shall man each item of the Equipment.

"Liability" shall have the meaning set forth in Section 18 hereof.

"Loan Documents" shall mean, collectively, this Agreement, the Note, and all other documents prepared by KCL and not or hereafter executed in connection therewith.

"Lien" shall mean all mortgages, pledges, security interests, liens, encumbrances, claims or other charges of any kind whatsoever, except the security interest of KCL created by this Agreement.

"Loss or Damage" shall mean any loss, theft, destruction, disappearance or any condemnation, expropriation or requisition of or damage to any Item of Equipment.

"Note" shall mean that certain Promissory Note in the original principal amount of $2,144,614.77 executed in connection herewith, together with any extensions, modifications, renewals, refinancings or other restructurings thereof.

"Secured Obligations" means all of the following obligations of Borrower, whether direct or indirect, absolute or contingent, matured or unmatured, originally contracted with KCL or another party, and now or hereafter owing to or acquired in any manner partially or totally by KCL or in which KCL may have acquired a participation, contracted by Borrower alone or jointly or severally: (a) any and all indebtedness, obligations, liabilities, contracts, indentures, agreements, warranties, covenants, guaranties, representations, provisions, terms, and conditions of whatever kind, now existing or hereafter arising, and however evidenced, that are not or hereafter owed, incurred or executed by Borrower to, in favor of, or with KCL (including, without limitation, those as are set forth or contained in, referred to, evidenced by, or executed with reference to the Loan Documents, any letter of credit agreements, advance agreements, indemnity agreements, guaranties, lines of credit, mortgage deeds, security agreements, assignments, pledge agreements, hypothecation agreements, instruments, and acceptance financing agreements), and including any partial or total extension, restatement, renewal, amendment, and substitution thereof or therefor; (b) any and all claims of whatever kind of KCL against Borrower, now existing or hereafter arising, including without limitation, any arising out of or in any way connected with warranties made by Borrower to KCL in connection with any instrument purchased by KCL; and (c) any and all of KCL's fees, costs and expenses related to the foregoing.

"Supplier" shall mean the manufacturer or the vendor of the Equipment, as set forth on each Collateral Schedule.

"Term" shall mean the term of the Note.

"UCC" shall have the meaning set forth in Section 16(b)(2) hereof. Where applicable and except as otherwise defined herein, terms used in this Agreement shall have the meaning assigned to them in the UCC.

"Upgrade" shall have the meaning specified in Section 8 hereof.

3. DELIVERY AND ACCEPTANCE. Concurrently with execution of the Collateral Schedule hereunder, Borrower shall execute and deliver to KCL a Certificate of Acceptance for the Equipment described on such Collateral Schedule. KCL SHALL HAVE NO OBLIGATION TO ADVANCE ANY FUNDS TO BORROWER UNLESS AND UNTIL KCL SHALL HAVE RECEIVED A CERTIFICATE OF ACCEPTANCE RELATING TO THE EQUIPMENT EXECUTED BY BORROWER. Such Certificate of Acceptance shall constitute Borrower's acknowledgement that such Equipment (a) was received by Borrower, (b) is satisfactory to Borrower in all respects, (c) is suitable for Borrower's purposes, (d) is in good order, repair and condition, (e) has been installed and operates properly, and (f) is subject to all of the terms and conditions of the Loan Documents. Borrower's execution and delivery of a Certificate of Acceptance shall be conclusive evidence as between KCL and Borrower that the Items of Equipment described therein are in all of the foregoing respects satisfactory to Borrower, and Borrower shall not assert any

Claim of any nature whatsoever against KCL based on any of the foregoing matters; provided, however, that nothing contained herein shall in any way bar, reduce or defeat any claim that Borrower may have against the Supplier or any other person (other than KCL).

4. PAYMENTS. Borrower shall pay the Note on the terms set forth therein. All Installments shall be payable when due whether or not Borrower has received any additional notice that such Installments are due. All Installments shall be paid to KCL at P.O. Box 1865, Albany, New York 12201-1865, or as otherwise directed by KCL in writing.

5. LOCATION; INSPECTION; LABELS. The Equipment shall be delivered to the Equipment Location and shall not be removed therefrom without KCL's prior written consent. Borrower shall maintain possession and control of the Equipment at all times. Borrower will promptly give written notice to KCL of any change in the identity or location of any Item of Equipment which might require new filings or other action to assure continued perfection of the security interest of KCL granted hereby. The Borrower owns, and will continue to own, all Equipment Locations except as otherwise indicated on Schedule 1. KCL shall have the right to enter upon the Equipment Location and inspect the Equipment at any reasonable time. At KCL's request, Borrower shall affix permanent labels evidencing KCL's interest in the Equipment in a prominent place on the Equipment and shall keep such labels in good repair and condition.

6. USE; ALTERATIONS. Borrower shall use the Equipment only in the course of its business for commercial purposes (and shall not permanently discontinue use of the Equipment), and in compliance with Applicable Law and the requirements of any applicable insurance policies, and only in the manner for which is was designed and intended and so as to subject it only to ordinary wear and tear. Borrower shall comply with all Applicable Law with respect to the Equipment. Borrower shall immediately notify KCL in writing of any existing or threatened investigation, claim or action by any Governmental Authority in connection with any Applicable Law or Governmental Action which could adversely affect the value of the Equipment or the perfection or priority of the security interest of KCL in the Collateral. Borrower shall not make any material alterations, additions, modifications or improvements (each, an "Alteration") to the Equipment without KCL's prior written consent; provided that Borrower, at its own expense, shall make Alterations as may be required from time to time to meet the requirements of Applicable Law or Governmental Action. All such Alterations immediately, and without further act, shall be deemed to constitute Items of Equipment and fully be subject to the security interest granted to KCL hereunder.

7. REPAIRS AND MAINTENANCE. Borrower, at Borrower's own cost and expense, shall (a) keep the Equipment in good repair, operating condition and working order and in compliance with the manufacturer's specifications and Borrower's standard practices (but with respect to the latter, in no event less than industry practices) and (b) enter into and keep in full force and effect during the Term hereof a maintenance agreement with the manufacturer of the Equipment, or a manufacturer-approved maintenance organization, to maintain, service and repair the Equipment as otherwise required herein. Upon KCL's request, Borrower shall furnish KCL with an executed copy of any such maintenance agreement. An alternate source of maintenance may be used by Borrower with KCL's prior written consent. Borrower, at its own cost and expense and within a reasonable period of time, shall replace any part of any Item of Equipment that is unfit or unavailable for use from any cause (whether or not such replacement is covered by the aforesaid maintenance agreement) with a replacement part of the same manufacture, value, remaining useful life and utility as the replaced part immediately preceding the replacement (assuming that such replaced part was in the condition required by this Agreement). Such replacement part shall be free and clear of all Liens and upon installation, attachment or incorporation in, on or into such Item of Equipment, such replacement part immediately, and without further act, shall be deemed to constitute an Item of Equipment and fully be subject to the security interest granted to KCL hereunder. If KCL repossesses the Equipment pursuant to its rights under this Agreement and at that time, in the opinion of KCL, any Item of Equipment fails to meet the standards set forth above, Borrower agrees to pay on demand all costs and expenses incurred in connection with repairing or restoring such Item of Equipment so as to meet such standards and/or assembling and delivering such Item of Equipment.

8. EQUIPMENT UPGRADES/ATTACHMENTS. In addition to the requirements of Section 6 hereof, Borrower, at its own expense, may from time to time add or install upgrades or attachments (each, an "Upgrade") to the Equipment; provided, that such Upgrades are readily removable without causing material damage to the Equipment, and do not materially adversely affect the fair market value of the Equipment. Any such Upgrades shall be owned by Borrower, shall become subject to the security interest created by this Agreement and shall be kept free and clear of all Liens so long as attached to the Equipment.

9. LEASE AND ASSIGNMENT. (a) WITHOUT KCL'S PRIOR WRITTEN CONSENT, BORROWER SHALL NOT (1) ASSIGN, TRANSFER, PLEDGE, HYPOTHECATE OR OTHERWISE DISPOSE OF, THE EQUIPMENT OR ANY INTEREST THEREIN, OR ASSIGN OR DELEGATE ITS RIGHTS OR OBLIGATIONS UNDER THE LOAN DOCUMENTS, OR (2) LEASE OR LEND THE EQUIPMENT TO, OR PERMIT THE EQUIPMENT TO BE USED BY, ANYONE OTHER THAN BORROWER.

(b) KCL, at any time with or without notice to Borrower, may sell, transfer, grant participations in, assign and/or grant a security interest in any or all of KCL's right, title and interest in and to the Loan Documents, or in KCL's security interest in any Item of Equipment. In any such event, any such purchaser, transferee, assignee or secured party shall have and may exercise all of KCL's rights hereunder or thereunder, and BORROWER SHALL NOT ASSERT AGAINST ANY SUCH PURCHASER, TRANSFEREE, ASSIGNEE OR SECURED PARTY ANY DEFENSE, COUNTERCLAIM OR OFFSET THAT BORROWER MAY HAVE AGAINST KCL. Borrower agrees that upon written notice to Borrower of any such sale, transfer, assignment and/or security interest, Borrower shall acknowledge receipt thereof in writing and shall comply with the reasonable directions and demands of such purchaser, transferee, assignee or secured party.

(c) Subject to the foregoing, all covenants and agreements contained herein shall be binding upon, and inure to the benefit of, KCL and its successors and permitted assigns and Borrower and its successors and permitted assigns.

10. LOSS OF OR DAMAGE TO EQUIPMENT. (a) In the event of Loss or Damage to any Item of Equipment, Borrower shall immediately notify KCL of same and, at the option of KCL, as specified in a notice from KCL to Borrower, Borrower shall within thirty (30) days following such Loss or Damage: (1) place such Item of Equipment in good condition and repair, in accordance with the terms hereof; (2) replace such Item of Equipment with replacement equipment (acceptable to KCL) in as good condition and repair, and with the same or better fair market value a such replaced Item of Equipment immediately preceding the Loss or Damage (assuming that such replaced Item of Equipment was in the condition required by this Agreement), which replacement equipment shall immediately, and without further act, be deemed to constitute Items of Equipment and be fully subject to this Agreement and the security interest granted to KCL as if originally pledged as Collateral hereunder and shall be free and clear of all Liens; or (3) pay to KCL any unpaid Installments and other charges due prior to the payment date specified in such notice plus an amount, with respect to an Item of Equipment, equal to the pro rata portion of the Installments attributable to such Item of Equipment under the Loan Documents after discounting such Installments to present worth as of the payment date specified in such notice on the basis of a per annum rate of discount equal to three percent (3%) from the respective dates upon which such Installments would have been paid but for the operation of this clause, together with interest on such amount at the Default Rate from the payment date specified in such notice to the date of actual payment.

(b) Upon KCL's receipt of the payment required under clause (3) above, KCL shall release its security interest in such Item of Equipment. If Borrower fails to either restore or replace the Item of Equipment pursuant to clauses (1) or (2) above, respectively, Borrower shall make the payment under clause (3) above.

11. INSURANCE. (a) Borrower, at Borrower's own cost and expense, shall maintain (1) insurance against all risks of physical loss or damage to the Equipment (which shall include theft and collision for Equipment consisting of motor vehicles, and shall not exclude loss resulting from flood or earthquake) in an amount not less than the full replacement value thereof and (2) comprehensive public liability insurance including blanket contractual liability for personal and bodily injury and property damage in an amount satisfactory to KCL.

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(b) All insurance policies required hereunder shall (1) require 30 days' prior written notice to KCL of cancellation or material change in coverage (any such cancellation or change, as applicable, not being effective until the thirtieth (30th) day after the giving of such notice); (2) name "KeyCorp and its subsidiaries and affiliated companies, including KeyCorp Leasing, a Division of Key Corporate Capital Inc., their successors and assigns" as sole loss payee under the property insurance policies; (3) not require contributions from other policies held by KCL; (4) waive any right of subrogation against KCL; (5) in respect of any liability of KCL, except for the insurers'; salvage rights in the event of a Loss or Damage, waive the right of such insurers to set-off, to counterclaim or to any other deduction, whether by attachment or otherwise, to the extent of any monies due KCL under such policies; (6) not require that KCL pay or be liable for any premiums with respect to such insurance covered thereby; (7) be in full force and effect throughout any geographical areas at any time traversed by any Item of Equipment; and (8) contain breach of warranty provisions providing that, in respect of the interests of KCL in such policies, the insurance shall not be invalidated by any action or inaction of Borrower or any other person (other that KCL) and shall insure KCL regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Borrower or by any other person (other than KCL). Prior to funding the Note, and thereafter not less than 15 days prior to the expiration dates of the expiring policies theretofore delivered pursuant to this Section, Borrower shall deliver to KCL a duplicate original of all policies (or in the case of blanket policies, certificates thereof issued by the insurers thereunder) for the insurance maintained pursuant to this Section.

(c) Proceeds of insurance with respect to physical loss or damage to the Equipment shall be applied, at the option of KCL, to repair or replace the Equipment or to reduce or satisfy (as applicable) the Secured Obligations.

12. TAXES. Borrower shall pay when due any and all taxes, fees, levies, imposts, duties, assessments and public and private charges levied or assessed on or with respect to the Equipment, on the use thereof, or on this Agreement or any of the other Loan Documents.

13. KCL'S RIGHT TO PERFORM FOR BORROWER. If Borrower fails to perform any of its obligations contained in the Loan Documents, KCL may (but shall not be obligated to) itself perform such obligations, and the amount of the reasonable costs and expenses of KCL incurred in connection with such performance, together with interest on such amount from the date paid by KCL until the date repaid by Borrower to KCL, at the Default Rate, shall be payable by Borrower to KCL upon demand. No such performance by KCL shall be deemed a waiver of any rights or remedies of KCL, or be deemed to cure the default of Borrower hereunder. All such sums and amounts so expended by KCL shall be repayable by the Borrower immediately without notice or demand, shall constitute additional Secured Obligations and shall bear interest from the date said amounts are expended at the Default Rate.

14. DELINQUENT PAYMENTS; INTEREST. If Borrower fails to pay any of the Installments on the date when the same becomes due, Borrower shall pay to KCL a late charge equal to five percent (5%) of such delinquent amount. Such late charge shall be payable by Borrower upon demand by KCL and shall be deemed part of the Secured Obligations. In no event shall such late charge exceed the maximum amounts permitted under Applicable Law.

15. PERSONAL PROPERTY; LIENS; WARRANTY OF TITLE. The Borrower is, and will continue to be, the sole owner of the Equipment, free from any Lien. KCL and Borrower hereby agree that the Equipment is, and shall at all times remain, personal property notwithstanding the fact that any Item of Equipment may now be, or hereafter become, in any manner affixed or attached to real property or any improvements thereon. Borrower shall at all times keep the Equipment free and clear from all Liens, and the Borrower shall obtain and deliver to KCL (to be recorded at the Borrower's expense) from each person having a Lien on any Equipment Location waivers of any Lien which such person might have or hereafter obtain or claim with respect to the Equipment. Borrower shall (a) give KCL immediate written notice of any Lien on the Collateral, (b) promptly, at Borrower's sole cost and expense, take such action as may be necessary to discharge any such Lien, and (c) indemnify and hold KCL, on an after-tax basis, harmless from and against any loss or damage caused by any such Lien. Borrower warrants that it has good, valid and marketable title to the Equipment, and that (1) the security interest in the Collateral granted to KCL hereunder, when properly perfected by filing, shall constitute a valid and perfected first priority security interest in

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the Collateral and, (2) the Collateral is not subject to, and Borrower will not grant or permit to exist, any Liens or claims on or against the Collateral, whether senior, superior, junior, subordinate or equal to the security interest granted to KCL hereby, or otherwise.

16. EVENTS OF DEFAULT; REMEDIES. (a) As used herein, the term "Event of Default" shall mean any of the following events: (1) Borrower fails to pay any Installment within ten (10) days after the same shall have become due and payable; (2) Borrower or any Guarantor becomes insolvent or makes an assignment for the benefit of its creditors; (3) a receiver, trustee, conservator or liquidator of Borrower or any Guarantor or of all or a substantial part of Borrower's or such Guarantor's assets is appointed with or without the application or consent of Borrower or such Guarantor, respectively; (4) a petition is filed by or against Borrower or any Guarantor under any bankruptcy, insolvency or similar legislation; (5) Borrower or any Guarantor violates or fails to perform any provision of either the Loan Documents or any other loan, lease or credit agreement or any acquisition or purchase agreement with KCL or any other party; (6) Borrower violates or fails to perform any covenant or representation made by Borrower in the Loan Documents; (7) any representation or warranty made herein or in any of the Loan Documents, certificates, financial statements or other statements furnished to KCL (or KCL's parent, subsidiaries or affiliates) shall prove to be false or misleading in any material respect as of the date on which the same was made; (8) Borrower makes a bulk transfer of furniture, fixtures or other equipment or inventory; (9) there is a material adverse change in Borrower's or any Guarantor's financial condition; (10) Borrower merges or consolidates with any other corporation or entity, or sells, leases or disposes of all or substantially all of its assets without the prior written consent of KCL; (11) a change in control occurs in Borrower or any Guarantor; (12) the death or dissolution of Borrower or any Guarantor; (13) any of the liens created or granted hereby, or intended to be granted or created hereby, to KCL shall fail to be valid, first priority perfected liens subject to no prior or equal lien; or (14) an additional Lien attaches to the Equipment or the Equipment becomes subject to risk of seizure or forfeiture.

(b) (1) Upon the occurrence of an Event of Default, KCL, at its option, may declare any or all of the Secured Obligations, including, without limitation, the Note, to be immediately due and payable, without demand or notice to Borrower or any Guarantor. The obligations and liabilities accelerated thereby shall bear interest (both before and after any judgment) until paid in full at the Default Rate. Should there occur a Default and if a voluntary or involuntary petition under the United States Bankruptcy Code is filed by or against Borrower while such Default remains uncured, the Secured Obligations automatically shall be accelerated and due and payable and interest thereon at the Default Rate automatically shall apply as of the date of the first occurrence of the Default, without any notice, demand or action of any type on the part of KCL (including any action evidencing the acceleration or imposition of the Default Rate). The fact the KCL has, prior to the filing of the voluntary or involuntary petition under the United States Bankruptcy Code, acted in a manner which is inconsistent with the acceleration and imposition of the Default Rate shall not constitute a waiver of this provision or estop KCL from asserting or enforcing KCL's rights hereunder.

(2) Furthermore, upon the occurrence of an Event of Default, KCL shall have, in addition to the rights and remedies provided herein, in the other Loan Documents or by law, the rights ad remedies of a secured party under the Uniform Commercial Code under the laws of the State of New York (the "UCC") (regardless of whether the UCC is the law of the jurisdiction where the rights and remedies are asserted and regardless of whether the UCC applies to the affected Collateral), and further KCL may do any one or more of the following as KCL in its sole discretion may elect, with or without judicial process or the aid and assistance of others: (a) enter and remain on any premises on which any of the Equipment may be located and, without resistance or interference by the Borrower, without liability to KCL by reason of such entry or taking possession, take possession of the Equipment, (b) prepare for sale and sell or otherwise dispose of any Equipment on any such premises, (c) require the Borrower to assemble and make available to KCL at Borrower's expense any Equipment at any place and time designated by KCL, (d) remove any Equipment from any such premises for the purpose of effecting sale or other disposition thereof, (e) without demand and without advertisement, notice, hearing or process of law, all of which the Borrower hereby waives, at any place and time or times, sell and deliver any or all Equipment held by or for it at public or private sale, by one or more contracts, in one or more parcels, for cash, upon credit or otherwise, at such prices and upon such terms as KCL deems advisable, in its sole discretion, or (f) lease all or any portion of the Equipment on such terms and conditions as KCL in its sole discretion may

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determine. In addition to all other sums due KCL hereunder, the Borrower shall pay KCL all reasonable costs and expenses incurred by KCL, including reasonable attorneys' fees and court costs, in obtaining or liquidating the Collateral, in enforcing payment of Secured Obligations, or in the prosecution or defense of any action or proceeding by or against KCL or the Borrower concerning any matter arising out of or connected with the Loan Documents, the Collateral or the Secured Obligations, including without limitation any of the foregoing arising in, arising under or related to a case under the United States Bankruptcy Code.

(3) BORROWER'S WAIVERS REGARDING DISPOSITION OF THE EQUIPMENT. IF AN EVENT OF DEFAULT OCCURS, BORROWER HEREBY WAIVES ANY DEFENSES, RIGHTS, OFFSETS OR CLAIMS AGAINST KCL ARISING OUT OF THE REPOSSESSION, RETENTION, SALE, MANNER OR METHOD OF SALE OR DISPOSITION OF ANY ITEMS OF EQUIPMENT. THE BORROWER AGREES THAT ANY REQUIREMENT OF REASONABLE NOTICE SHALL BE MET IF SUCH NOTICE IS PERSONALLY SERVED ON OR MAILED, POSTAGE PREPAID, TO THE BORROWER IN ACCORDANCE WITH THE NOTICE PROVISIONS HEREOF AT LEAST 10 DAYS BEFORE THE TIME OF SALE OR OTHER EVENT GIVING RISE TO THE REQUIREMENT OF SUCH NOTICE. KCL SHALL NOT BE OBLIGATED TO MAKE ANY SALE OR OTHER DISPOSITION OF THE EQUIPMENT REGARDLESS OF NOTICE HAVING BEEN GIVEN. KCL MAY BE THE PURCHASER AT ANY SUCH SALE. THE BORROWER HEREBY WAIVES ALL OF ITS RIGHTS OF REDEMPTION FROM ANY SUCH SALE. KCL MAY POSTPONE OR CAUSE THE POSTPONEMENT OF THE SALE OF ALL OR ANY PORTION OF THE EQUIPMENT BY ANNOUNCEMENT AT THE TIME AND PLACE OF SUCH SALE, AND SUCH SALE MAY, WITHOUT FURTHER NOTICE, BE MADE AT THE TIME AND PLACE TO WHICH THE SALE WAS SCHEDULED. NONE OF KCL'S RIGHTS OR REMEDIES HEREUNDER ARE INTENDED TO BE EXCLUSIVE OF, BUT EACH SHALL BE CUMULATIVE AND IN ADDITION TO, ANY OTHER RIGHT OR REMEDY REFERRED TO HEREUNDER OR OTHERWISE AVAILABLE TO KCL OR ITS ASSIGNS AT LAW OR IN EQUITY, AND MAY BE PURSUED SINGLY, SUCCESSIVELY OR CONCURRENTLY AT THE SOLE DISCRETION OF LENDER AND MAY BE EXERCISED AS OFTEN AS OCCASION THEREFOR SHALL OCCUR. THE FAILURE TO EXERCISE, OR ANY DELAY IN THE EXERCISE OF, ANY RIGHT OR REMEDY SHALL IN NO EVENT BE CONSTRUED AS A WAIVER, RELEASE OR EXHAUSTION OF ANY SUCH REMEDIES. NO EXPRESS OR IMPLIED WAIVER BY KCL OF ANY EVENT OF DEFAULT SHALL CONSTITUTE A WAIVER OF ANY OTHER EVENT OF DEFAULT OR A WAIVER OF ANY OF KCL'S RIGHTS UPON THE REOCCURRENCE OF ANY SUCH EVENT OF DEFAULT.

(c) The Borrower hereby authorizes KCL, upon the occurrence and during the continuation of any Event of Default hereunder, at KCL's option to adjust, compromises and settle any losses under any insurance afforded, and the Borrower does hereby irrevocably constitute KCL and each of its designees, as its attorneys-in-fact, with full power and authority, upon the occurrence and during the continuation of any Event of Default hereunder, to effect such adjustment, compromise and/or settlement and to endorse any drafts drawn by an insurer of the Equipment or any part thereof and to do everything necessary to carry out such purposes and to receive and receipt for any unearned premiums due under policies of such insurance; but unless or until KCL elects to adjust, compromise or settle losses as aforesaid, such insurance proceeds shall be subject to the lien and security interest of KCL hereunder.

(d) Upon the occurrence, and during the continuance, of an Event of Default hereunder, any payments in respect of the Secured Obligations and any proceeds of the Collateral, when received by KCL in cash or its equivalent, will be applied first to costs of collection and, thereafter, in reduction of the Secured Obligations in such order and manner as KCL may direct in its sole discretion, and the Borrower irrevocably waives the right to direct the application of such payments and proceeds and acknowledges and agrees that KCL shall have the continuing and exclusive right to apply any and all such payments and proceeds in KCL's sole discretion, notwithstanding any entry to the contrary upon any of its books and records. The Borrower shall remain liable to KCL for any deficiency. Any surplus remaining after the full payment and satisfaction of the Secured Obligations shall be returned to the Borrower or to whomsoever a court of competent jurisdiction shall determine to be entitled thereto.

(e) To the extent that any of the Secured Obligations are now or hereafter secured by properly other than the Collateral, or by a guarantee, endorsement or properly of any other person, then KCL also shall have the

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right to proceed against such other property, guarantee or endorsement upon the occurrence of a default hereunder, and KCL shall have the right, in its sole discretion, to determine which rights, liens, security interests or remedies KCL shall at any time pursue, relinquish, subordinate or modify, without in any way affecting the Secured Obligations or any of KCL's rights under this Agreement.

17. NOTICES. All notices and other communications hereunder shall be in writing and shall be transmitted by hand, overnight courier or certified mail (return receipt requested), postage prepaid. Such notices and other communications shall be addressed to the respective party at the address set forth above or at such other address as any party may from time to time designate by notice duly given in accordance with this Section. Such notices and other communications shall be effective upon the earlier of receipt or three (3) days after mailing if mailed in accordance with the terms of this section.

18. GENERAL INDEMNIFICATION. Borrower shall pay, and shall indemnify and hold KCL and its directors, officers, employees, counsel, agents and advisors harmless on an after-tax basis from and against, any and all liabilities, causes of action, claims, suits, penalties, damages, losses, costs or expenses (including attorneys' fees), obligations, liabilities, demands and judgments, and Liens, of any nature whatsoever (collectively, a "Liability") arising out of or in any way related to: (a) the Loan Documents, (b) a failure to comply fully with Applicable Law and (c) Borrower's failure to perform any covenant, or breach of any representation or warranty under the Loan Documents; provided, that the foregoing indemnity shall not extend to the Liabilities to the extent resulting solely from the gross negligence or willful misconduct of KCL. Borrower shall promptly deliver to KCL copies of any documents received from the United States Environmental Protection Agency or to any state, county or municipal environmental or health agency concerning the Equipment or its operation and copies of any documents submitted by Borrower or any of its subsidiaries to the United States Environmental Protection Agency or any state, county or municipal environmental or health agency concerning the Equipment or its operation. Borrower further agrees to indemnify KCL against and hold it harmless from all present and future stamp, transfer, documentary and other such taxes, levies, fees, assessments or other charges made by any jurisdiction by reason of the execution, delivery, performance and enforcement of the Loan Documents.

19. SEVERABILITY; CAPTIONS. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law. If, however, any provision of this Agreement or any of the Loan Documents shall be prohibited or unenforceable in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law, or if for any reason it is not deemed so modified, it shall be ineffective only to the extent of such prohibition or unenforceability without affecting the remaining provisions hereof, and any such prohibition or unenforceability shall not invalidate or render unenforceable such provision in any other jurisdiction. Captions are intended for convenience or reference only, and shall not be construed to define, limit or describe the scope or intent of any provisions hereof.

20. FINANCIAL AND OTHER DATA. During the Term hereof, Borrower shall furnish KCL (a) as soon as available, and in any event within 120 days after the last day of each fiscal year, financial statements of Borrower and each Guarantor and (b) from time to time as KCL may reasonably request, other financial reports, information or data (including federal and state income tax returns) and quarterly or interim financial statements of Borrower and each Guarantor. All such information shall be audited (or if audited information is not available, complied or reviewed) by an independent certified public accountant if required by KCL.

21. [RESERVED]

22. REPRESENTATIONS AND WARRANTIES OF BORROWER. Borrower represents and warrants that: (a) Lessee is a corporation duly organized and validly existing in good standing under the laws of the state of its incorporation; (b) the execution, delivery and performance of this Lease and all related instruments and documents: (1) have been duly authorized by all necessary corporate action on the part of Lessee, (2) do not require the approval of any stockholder, partner, trustee, or holder of any obligations of Lessee except such as have been duly obtained, and (3) do not and will not contravene any law, governmental rule, regulation or order now binding on Lessee, or the charter or by-laws of Lessee, or contravene the provisions of, or constitute a default under, or result in the creation of any lien or encumbrance upon the property of Lessee under, any indenture, mortgage, contract or other

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agreement to which Lessee is a party or by which it or its property is bound (c) the Loan Documents, when entered into, will constitute legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with the terms thereof; (d) there are no pending actions or proceedings to which Borrower is a party, and there are no other pending or threatened actions or proceedings of which Borrower has knowledge, before any court, arbitrator or administrative agency, which, either individually or in the aggregate, would adversely affect the financial condition of Borrower, or the ability of Borrower to perform its obligations under the Loan Documents; (e) Borrower is not in default under any obligation for the payment of borrowed money, for the deferred purchase price of property or for the payment of any installments under any lease agreement which, either individually or in the aggregate, would have the same such effect; (f) under the laws of the state(s) in which the Equipment is to be located, the Equipment consists solely of personal property and not fixtures; (g) the financial statements of Borrower (copies of which have been furnished to KCL) have been prepared in accordance with generally accepted accounting principles consistently applied ("GAAP"), and fairly present Borrower's financial condition and the results of its operations as of the date of and for the period covered by such statements, and since the date of such statements there has been no material adverse change in such conditions or operations; (h) the address stated above is the chief place of business and chief executive office, or in the case of individuals, the primary residence, of Borrower; (i) Borrower does not conduct business under a trade, assumed or fictitious name, except as set forth in Schedule 1; (j) this Agreement creates a valid first priority security interest in the Collateral securing payment and performance of the Secured Obligations and all filings and other action necessary to perfect such security interest have been taken or shall be promptly taken; (k) Borrower has filed or has caused to have been filed all Federal, state and local tax returns which, to the knowledge of Borrower, are required to be filed, and has paid or caused to have been paid all taxes as shown on such returns or on any assessment received by it, to the extent that such taxes have become due, unless and to the extent only that such taxes, assessments and governmental charges are currently contested in good faith and by appropriate proceedings by Borrower and adequate reserves therefor have been established as required under GAAP and, to the extent Borrower believes it advisable to do so, Borrower has set up reserves which are believed by Borrower to be adequate for the payment of additional taxes for years which have not been audited by the respective tax authorities; (l) except as previously disclosed in writing to KCL, neither Borrower nor any of its officers or directors (if a corporation), partners (if a partnership) or members or managers (if a limited liability corporation) has, directly or indirectly, any financial interest in the Supplier; and (m) Borrower is not in violation of any Applicable Law, the violation of which would have a material adverse effect on the conduct of its business, and Borrower has obtained any and all licenses, permits, franchises or other governmental authorizations necessary for the ownership of its properties and the conduct of its business; and (n) none of the proceeds of the loan made by KCL will be used, directly or indirectly, by Borrower for the purpose of purchasing or carrying, or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry any "margin stock" within the meaning of Regulation U (12 CFR Part 221), of the Board of Governors of the Federal Reserve System (herein called "margin stock") or for any other purpose which might make the transactions contemplated herein a "purpose credit" within the meaning of Regulation U, or cause this Agreement to violate any other regulation of the Board of Governors of the Federal Reserve System or the Securities Exchange Act of 1934 or the Small Business Investment Act of 1958, as amended, or any rules or regulations promulgated under any of such statutes.

23. FURTHER COVENANTS OF BORROWER The Borrower further covenants and agrees that it will not change its legal name, be a party to a merger, consolidation or other change in structure or use a trade name in its business without at least 30 days' prior written notice to KCL; and shall execute and deliver to KCL (to be filed at Borrower's expense) all UCC statements as may be required by KCL in connection with such event.

24. MISCELLANEOUS. Time is of the essence with respect to this Agreement. ANY FAILURE OF KCL TO REQUIRE STRICT PERFORMANCE BY BORROWER OR ANY WAIVER BY KCL OF ANY PROVISION HEREIN SHALL NOT BE CONSTRUED AS A CONSENT OR WAIVER OF ANY PROVISION OF THIS AGREEMENT. None of the Loan Documents may be amended except by a writing signed by KCL and Borrower. This Agreement will be binding upon KCL only if executed by a duly authorized officer or representative of KCL at KCL's principal place of business as set forth above. This Agreement and all other Loan Documents shall be executed on Borrower's behalf by Authorized Signers of Borrower. The Borrower hereby waives presentment, notice of dishonor and protest of all instruments included in or evidencing any Secured Obligations, and all other notices and demands whatsoever (except as expressly provided herein). THIS AGREEMENT IS BEING

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DELIVERED IN THE STATE OF NEW YORK AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAWS PROVISION OR RULE (WHETHER OF THE STATE OF NEW YORK OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK.

25. JURY TRIAL WAIVER. KCL AND BORROWER HEREBY EACH WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION OR PROCEEDING TO WHICH KCL OR BORROWER MAY BE PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE, INCLUDING WITHOUT LIMITATION ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY, OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER IS MADE KNOWINGLY, WILLINGLY AND VOLUNTARILY BY KCL AND THE BORROWER WHO EACH ACKNOWLEDGE THAT NO REPRESENTATIONS HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

26. MORE THAN ONE BORROWER. If more than one person or entity executes this Agreement, each of the other Loan Documents, and all addenda or other documents executed in connection herewith or therewith, as "Borrower," the obligations of "Borrower" contained herein and therein shall be deemed joint and several and all references to "Borrower" shall apply both individually and jointly.

27. ENTIRE AGREEMENT. This Agreement, together with the other Loan Documents, collectively constitute the entire understanding or agreement between KCL and Borrower with respect to the financing of the Equipment, and there is no understanding or agreement, oral or written, which is not set forth herein or therein. This Agreement shall not be modified except by the written agreement of KCL and Borrower.

28 EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

29. POWER OF ATTORNEY; UCC FILINGS. BORROWER SHALL EXECUTE AND DELIVER TO KCL CONCURRENTLY WITH THE EXECUTION OF THIS AGREEMENT, AND AT ANY TIME FROM TIME TO TIME THEREAFTER, ALL FINANCING STATEMENTS, AMENDMENTS TO FINANCING STATEMENTS, CHATTEL MORTGAGES, ASSIGNMENTS, AND ALL OTHER INSTRUMENTS, IN FORM SATISFACTORY TO KCL, AND TAKE ALL OTHER ACTION AS KCL MAY REASONABLY REQUIRE, TO PERFECT AND CONTINUE PERFECTED, MAINTAIN THE PRIORITY OF OR PROVIDE NOTICE OF KCL'S SECURITY IN THE COLLATERAL. BORROWER HEREBY APPOINTS KCL, OR ITS ASSIGNEE, AND ANY OF KCL'S OR ASSIGNEE'S OFFICERS OR EMPLOYEES AS ITS TRUE AND LAWFUL ATTORNEY IN FACT, IRREVOCABLY AND COUPLED WITH AN INTEREST, TO EXECUTE AND FILE ON BEHALF OF BORROWER ALL UCC FINANCING STATEMENTS WHICH IN KCL'S SOLE DISCRETION ARE NECESSARY OR PROPER TO SECURE KCL'S INTEREST IN THE EQUIPMENT IN ALL APPLICABLE JURISDICTIONS. Borrower hereby ratifies, to the extent permitted by law, all that KCL shall lawfully and in good faith do or cause to be done by reason of and in compliance with this paragraph.

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LENDER:	BORROWER:
KEYCORP LEASING, A DIVISION OF KEY CORPORATE CAPITAL INC.	STARTEK USA, INC.
By: /s/ KELLY M. REALE Name: Kelly M. Reale Title: Regional Business Unit Manager	X /s/ DENNIS M. SWENSON Name: Title: CFO

Customer Number: 17300
Lessee Number: 17292

AMENDMENT NO. 01
TO SECURITY AGREEMENT

THIS AMENDMENT dated as of December 14, 2000 amends that certain Security Agreement dated as of December 14, 2000 (the "Agreement") between KEYCORP LEASING, A DIVISION OF KEY CORPORATE CAPITAL INC., as lender, and STARTEK USA, INC., as Borrower. Unless otherwise specified herein, all capitalized terms shall have the meanings ascribed to them in the Agreement.

BORROWER'S FINANCIAL COVENANTS. Borrower hereby covenants with Lender as follows:

1. CURRENT RATIO: Lessee shall maintain a ratio of current assets to current liabilities in excess of 1.25 to 1.00; calculated at end of each fiscal year. Current Ratio is defined as Current Assets less all intercompany transactions, with the exception of StarTek, Inc. transactions less prepaid expenses divided by Current Liabilities.

2. OPERATING CASH FLOW TO FIXED CHARGE RATIO: Lessee shall maintain either of the following:

   OPTION A:

   A ratio of Operating Cash Flow to Total Fixed Charges of not less than 3.00 to 1.00; calculated annually on a rolling four quarter basis with NO proforma or other income tax (actual) subtraction. Operating Cash flow defined as net income BEFORE taxes, and exclusive of extraordinary gains, gains on asset sales, and other income, plus depreciation and amortization plus interest expense, plus lease expense less dividends, and distributions.

   OPTION B:

   A ratio of Operating Cash Flow to Total Fixed Charges of not less than 2.00 to 1.00; calculated annually on a rolling four quarter basis with a proforma or other income tax (actual) subtraction. Operating Cash flow defined as net income AFTER taxes, and exclusive of extraordinary gains, gains on asset sales, and other income, plus depreciation and amortization plus interest expense, plus lease expense less dividends, and distributions.

EXCEPT AS EXPRESSLY MODIFIED HEEBY, ALL OF THE TERMS, COVENANTS AND CONDITIONS OF THE AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT AND ARE IN ALL RESPECTS HEREBY RATIFIED AND AFFIRMED.

IN WITNESS WHEREOF, Lender and Borrower have executed this Amendment as of the date first written above.

Lender:	Borrower:
KEYCORP LEASING, A DIVISION OF KEY CORPORATE CAPITAL INC.	STARTEK USA, INC.
By: /s/ Kelly M. Reale	By: /s/ Dennis Swenson
Name: Kelly M. Reale	Name:
Title: Regional Business Unit Manager	Title: CFO

EXHIBIT 10.30

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is made as of January 1, 2001, by and between StarTek, Inc., a Delaware corporation (the "Company"), and Michael W. Morgan ("Executive").

Executive is currently employed by the Company and Executive and the Company desire to enter into this Agreement in order to document certain agreements regarding their employment relationship.

For good and valuable consideration, it is agreed as follows:

1. Employment; Term. Subject to the terms and conditions set forth herein, the Company shall continue to employ Executive, and Executive shall continue to serve in such capacities as may be determined by the Board of Directors ("Board") and acceptable to Executive, through July 15, 2004, unless otherwise extended by mutual agreement or unless the employment of Executive is terminated at an earlier date in accordance with the terms hereof.

2. Duties. Executive shall perform all duties as may be reasonably assigned to him from time to time by the Board. During the Term, Executive shall not, directly or indirectly, organize, engage in, own, manage, operate, control, be employed by or participate in the ownership, management, operation or control of any business that is competitive with the business of the Company.

3. Compensation. Company shall pay Executive an annual base cash salary of $270,800 ("Base Compensation"), payable in installments at the regular payroll periods of the Company. Such salary may be increased as determined by the Compensation Committee of the Board. Additionally, Executive shall be entitled to participate in all medical plans made available generally to executive officers of the Company. The Company shall also reimburse Executive for reasonable and necessary expenses incurred in the performance of his duties.

4. Termination. This Agreement and Executive's employment with the Company may be terminated by the Company or Executive at any time for any reason upon 90 days' prior written notice to the other party, except in the event of death of Executive in which case the Agreement will terminate as of the date of death. Upon termination of Executive's employment for any reason other than death, Executive shall be entitled to payment of the Base Compensation through July 15, 2004. In the event of the death of Executive, Executive's estate shall be entitled to payment of Base Compensation only to the date of death.

5. Confidential Information. Executive agrees not to disclose any Confidential Information (defined below) or proprietary information (including trade secrets) of the Company to any person not employed by the Company, including information received in confidence from the Company or others either before, during or after his employment by the Company, except upon the prior written consent of the Chairman of the Board. Executive acknowledges that such Confidential Information and proprietary information of the Company will include matters conceived or developed by him, as well as matters learned by him from other employees of the

Company. Any Confidential Information that Executive shall prepare, use or come into contact with shall be and remain the Company's sole property and shall not be removed from the Company's premises without the prior written consent of the Chairman of the Board, and shall be returned upon termination of employment. Executive will not, except as the Company may otherwise consent or direct in writing, sell, use, lecture upon or publish any Confidential Information or proprietary information of the Company or authorize anyone else to do those things at any time either during or subsequent to the employment of Executive hereunder. The obligations of Executive set forth in this Section 5 shall survive the termination of his employment. For purposes of this Agreement, the term "Confidential Information" means information (i) disclosed to or known by Executive as a consequence of his employment hereunder; (ii) not publicly disclosed by the Company; and (iii) which relates to the business of the Company. By way of illustration, but not limitation, and assuming that the following examples meet the requirements of clauses (i), (ii), and (iii) of the preceding sentence, Confidential Information includes trade secrets, techniques, new product ideas, marketing plans, strategies, forecasts, financial and cost information, customer lists, prospective customer lists, concepts, know-how, improvements, proposals, and inventions. In the event of any breach of the foregoing restrictions, Executive acknowledges that the harm to the Company cannot be reasonably or adequately compensated in damages in any action at law. Accordingly, Executive agrees that, upon any violation of the terms of this Section 5, the Company shall be entitled to preliminary and permanent injunctive relief in addition to any other remedy that may be available thereto at law or in equity.

6. Non-Competition. Executive acknowledges that (i) Executive is one of the limited number of persons who, as an executive of the Company, developed the business of the Company (the "Business"); (ii) the Business is conducted globally; (iii) his work for the Company has given him, and his work for the Company will continue to give him, proprietary information and trade secrets of and confidential information concerning the Company; and (iv) the agreements and covenants contained in this Section 6 are essential to protect the Business and goodwill of the Company. Accordingly, Executive covenants and agrees as follows:

(a) For the period commencing on the date employment of Executive is terminated hereunder and ending on July 15, 2004 (the "Restricted Period"), Executive shall not, directly or indirectly, (i) engage in the Business or any material aspect of the Business for the Executive's own account or (whether as an employee, agent, contractor or otherwise) for the account of any person or entity (other than the Company); (ii) enter the employ of any person or entity (other than the Company) for which any aspect of the Business is responsible for any material portion of its revenues; (iii) become a partner, member, shareholder, officer, director, manager, or employee of any person or entity (other than the Company) for which any aspect of the Business is responsible for any material portion of its revenues, other than holding publicly traded securities that represent less than 5% of the outstanding securities of such person or entity; or (iv) solicit or attempt to solicit any business (which is related to any material aspect of the Business) to be conducted anywhere (or help any other person or entity solicit or accept any such business) from any person or entity who, during the twenty-four months preceding the date of termination or expiration of Executive's employment, is a customer or supplier of the Company or who during the Restricted Period becomes, and actually is known by Executive to be, a customer or supplier of the Company.

(b) During the Restricted Period, the Executive shall not, directly or indirectly, hire or solicit any employee of the Company or encourage any employee to leave such employment for any business whether or not a competitor of the Company.

(c) If a court of competent jurisdiction determines that the terms of this Section 6 are partially or wholly inoperative, unenforceable or invalid in a particular case because of their time or geographic scope or for any other reason, the parties agree that such court shall have the power to limit such time or geographic scope or otherwise to recast the terms of this Section 6 in such case so as to permit its enforcement to the greatest extent permitted by applicable law. In the event of a breach or anticipatory breach of this Section 6, Executive agrees that the remedies as law may be inadequate and that the Company shall be entitled to preliminary and permanent injunctive relief in addition to any other remedy that may be available thereto at law or in equity. The obligations of Executive set forth in this Section 6 shall survive the termination of his employment.

(d) The enforceability by the Company of the obligations of Executive under this Section 6 are conditioned upon Executive's receipt of Base Compensation through July 15, 2004.

7. General Provisions. The failure by either party hereto to insist upon strict compliance with any of the terms or conditions hereof shall not be deemed a waiver of such term or condition, nor shall any waiver of such term or condition at any one or more times be deemed a waiver of such term or condition. This Agreement shall inure to the benefit of and be binding upon the Company, its successors and assigns. Executive shall not have the right to assign this Agreement or to delegate any of his duties hereunder. This Agreement constitutes the full and complete understanding and agreement of the parties with respect to the matters set forth herein and supersedes all prior understandings and agreements between such parties. This Agreement may be modified or amended only by an agreement in writing signed by the party against whom enforcement may be sought. If for any reason whatsoever any one or more of the provisions of this Agreement is determined by a court of competent jurisdiction to be inoperative, unenforceable or invalid in a particular case, such determination shall not render such provision invalid in any other case or render any of the other provisions of this Agreement inoperative, unenforceable or invalid. The exercise, validity, construction, operation and effect of the terms and provisions of this Agreement shall be determined in accordance with the law of the State of Colorado as in effect for contracts made and to be performed in such state.

8. Tax Withholding. The Company shall have the right to deduct or withhold from the compensation due to Executive hereunder any and all sums required for federal income and Social Security taxes and all state or local taxes now applicable or that may be enacted or become applicable in the future.

9. Notices. Any notice required or permitted to be given under this Agreement shall be in writing and shall be sent by registered or certified mail, postage prepaid, or by generally recognized prepaid overnight air courier service, addressed as follows:

If to the Company:

StarTek, Inc.
100 Garfield Street
Denver, CO 80206
Attention: A. Emmet Stephenson, Jr.

If to the Executive:

Michael W. Morgan
1745 37th Avenue Place
Greeley, CO 80634

The designation of the persons to be so notified and the address of such persons for the purposes of such notice may be changed from time to time by a notice delivered in the manner contemplated by this Section 9.

In witness whereof, this Agreement has been executed by the parties hereto as of the date first written above.

COMPANY

STARTEK, INC.

By: /s/ A. Emmet Stephenson, Jr.

Name: A. Emmet Stephenson, Jr.
Title: Chairman of the Board

EXECUTIVE

/s/ Michael W. Morgan

Michael W. Morgan

EXHIBIT 21.2

SUBSIDIARIES OF THE REGISTRANT

NAME OF SUBSIDIARIES	STATE OF INCORPORATION	SUBSIDIARIES ARE DOING BUSINESS AS
StarTek USA, Inc.(a)	Colorado	StarTek Teleservices, Inc. StarTek Technical Services, Inc. StarTek Internet, Inc. StarTek, Inc. StarPak, Inc. StarTek Services
StarTek Europe, Ltd.(a)	Colorado	StarPak, Inc. StarPak International, Ltd.
StarTek Pacific, Ltd.(a)	Colorado	StarTek Pacific, Ltd.
Domain.com, Inc.(a)	Delaware	Domain.com, Inc.
Gifts.com, Inc.(b)	Delaware	Gifts.com
Wedding.com, Inc.(c)	Delaware	Wedding.com, Inc.

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(a) Wholly-owned subsidiary of StarTek, Inc.
(b) 19.9% owned by Domain.com, Inc., a wholly-owned subsidiary of StarTek, Inc.
(c) Wholly-owned subsidiary of Domain.com, 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 14, 2001, with respect to the consolidated financial statements of StarTek, Inc. included in the Form 10-K for the year ended December 31, 2000.

ERNST & YOUNG LLP

Denver, Colorado
March 29, 2001