UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1933**

For the fiscal year ended December 31, 2003

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 *(State or other jurisdiction of incorporation or organization)*	**84-1370538** *(I.R.S. employer Identification No.)*
100 Garfield Street **Denver, Colorado** *(Address of principal executive offices)*	**80206** *(Zip code)*

(303) 399-2400

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

Indicate by check mark 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. ☑

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☑ No ☐

As of March 5, 2004, 14,359,051 shares of common stock were outstanding. The aggregate market value of common stock held by non-affiliates of the registrant on June 30, 2003 was approximately $118 million, based upon the closing price of the registrant'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.

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Forward-Looking Statements

All statements contained in this Form 10-K that are not statements of historical facts are forward-looking statements that involve substantial risks and uncertainties. Forward-looking statements are preceded by terms such as "may," "will," "should," "anticipates," "expects," "believes," "plans," "future," "estimate," "continue," "intends," "budgeted," "projections," "outlook" 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 factors include, but are not limited to, loss of our principal clients, concentration of our client base in a few select industries, highly competitive markets, risks related to our contracts, decreases in numbers of vendors used by clients or potential clients, lack of success of our clients' products or services, considerable pricing pressure, risks relating to fluctuations in the value of our investment securities portfolio, risks associated with advanced technologies, inability to grow our business, inability to effectively manage growth, dependence on qualified employees and key management personnel, potential future declines in revenue, lack of a significant international presence, and risks relating to conducting business in Canada and the United Kingdom. These factors include risks and uncertainties beyond our ability to control, and in many cases we 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 we undertake 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 — Risk Factors" appearing elsewhere in this Form 10-K.

PART I

Item 1. *Business*

Overview

We are a leading provider of business process outsourced services, which consist of business process management and supply chain management services. Our business process management services include provisioning management, wireless telephone number porting, receivables management, wireless telephone activations, and high-end technical support and customer care services. Substantially all of our consumer interactions related to business process management services are initiated by our clients' customers rather than by us. Our supply chain management services include packaging, fulfillment, marketing support and logistics services.

Our revenue has grown from $205.2 million in 1999 to $231.2 million in 2003. During the same period, our operating profit has grown from $18.0 million to $31.3 million, representing an increase in our operating margin from 8.8% to 13.5% of revenue. All our growth was achieved organically by developing existing customers and adding new customers rather than through mergers or acquisitions.

We believe that using our outsourced services allows our clients to achieve the following strategic benefits:

• focus on their primary business;

• decrease the necessity to manage and continuously upgrade technology;

• reduce overhead and working capital needs;

• replace fixed costs with variable costs;

• enhance time to market and end-user satisfaction;

• establish external accountability; and

• access highly specialized technical skills.

We have continuously expanded our service offerings in response to the growing needs of our clients and to capitalize on market opportunities. We have a strategic partnership philosophy through which we assess each of our clients' needs, and together with our clients, develop and implement customized outsourced services. We believe that our corporate culture, long-term relationships with our clients and suppliers, dedicated client service teams, efficient operations, commitment to quality and use of technology, and management techniques provide us with a competitive advantage in attracting clients to outsource their non-core operations.

We have developed expertise in serving clients in technically-oriented industries, which are characterized by rapid growth, complex and evolving product offerings and large customer bases. These customers require frequent, often sophisticated customer interaction. Additionally, the constant technological advances, risk of obsolescence and high-value nature of our supply chain management clients' products require them to implement rapid procurement, assembly and other logistical processes.

Our existing clients are primarily in the telecommunications and computer software industries. We also service clients in the computer hardware, consumer products, cable, entertainment, Internet and e-commerce industries. We believe there are substantial opportunities to cross-sell our wide spectrum of business process outsourced services to existing and future clients. We intend to capitalize on what we expect will be a growing trend toward outsourcing by focusing on potential clients in additional industries, such as financial services and health care, that could benefit from our expertise in developing and delivering integrated, cost-effective, outsourced services.

As of December 31, 2003, we provided services from 17 operational facilities, including six in Colorado (including our corporate headquarters), five in Canada, one in Europe and one in each of Illinois, Oklahoma, Tennessee, Texas and Wyoming. We opened four of our facilities in 2003, including

Sarnia, Ontario, Canada, which commenced operations in November 2003, and Alexandria, Louisiana, which commenced operations in February 2004.

Our Industry

We believe businesses throughout the world are increasingly focusing on their core competencies and 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 staffing and capital resources 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, technical support and customer care and related information from point of origin to point of consumption.

There are various ways and degrees to which customers can use outsourced services. In general, businesses could choose to outsource a discrete, standalone activity (such as order processing) or outsource a comprehensive set of business activities that make up a defined function or department, such as customer support and supply chain management. In discrete outsourcing assignments, we believe that the client generally retains control over strategic decisions, and that the vendor has very little strategic involvement other than ensuring the accurate, efficient administration of the delegated activity. In situations involving the outsourcing of a comprehensive set of business activities, we believe that businesses have frequently transferred managerial and strategic responsibilities of the function to the vendor.

An increasing number of businesses are seeking the services of third party outsourcers to address a wide range of their customer care needs, including technical support services and fulfillment/logistics. As a result, we believe that outsourced customer care services will grow significantly in the coming years. Industry sources estimate that the worldwide customer care services market will grow from approximately $38.1 billion in 2002 to $68.2 billion in 2007, or a compounded annual growth rate of 12.3%. The largest geographic component of this market is the United States, which is expected to grow from $20.3 billion in 2002 to $35.1 billion in 2007, or a compounded annual growth rate of 11.6%. We believe that the main drivers behind this growth stem from the heightened desire by businesses to increase corporate cost controls, operating efficiencies, service capabilities and competitive advantage. In general, we believe that industries having higher levels of customer contact and service volume, such as telecommunications, financial services and retail, tend to seek outsourced services as a more efficient method for managing their technical support and customer care functions.

Within the worldwide customer care services market, industry sources estimate that two of the largest service categories are customer interaction and fulfillment/logistics, the sizes of which are estimated to be over $30 billion and over $4 billion, respectively, in 2002. We believe that technical support/help desk services are among the fastest growing components of the customer interaction category, driven by the desire of businesses in the telecommunications, information technology and consumer devices industries to outsource their customer support needs at a cost lower than they could achieve internally. We also believe that fulfillment/logistics services will grow at a rate faster than the overall worldwide customer care services industry, owing to the need by businesses to achieve faster time to market, rapid inventory turns, greater focus on core competencies and lower costs.

As the business environment continues to evolve, we believe it has become more difficult and expensive for companies to maintain the necessary personnel and product capabilities in-house to provide business process services on a cost-effective basis. We believe that outsourced service providers, including ourselves, will continue to benefit from these outsourcing trends.

Competition

We compete on the basis of quality, reliability of service, price, efficiency, speed, and flexibility in tailoring services to client needs. We believe that our comprehensive, integrated services, deep expertise in technically-centric industries, ability to rapidly expand our capacity, and ability to tailor our services to our clients' needs differentiate us from non-client competitors. We continuously explore new outsourced service opportunities, typically in circumstances where clients are experiencing inefficiencies in non-core areas of their businesses. We believe we can develop superior outsourced services for these clients by addressing such inefficiencies on a cost-effective basis.

We believe that we compete primarily with in-house process management operations of our current and potential clients. Such in-house operations include customer care, technical support, supply chain management, Internet operations and e-commerce support. We also compete with a number of companies that provide similar services on an outsourced basis. In business process management services, we compete with technical support and customer care companies such as APAC Customer Services, Inc.; Convergys Corporation; Sitel Corporation; Sykes Enterprises, Incorporated; TeleTech Holdings, Inc.; and West Corporation. In supply chain management services, we compete directly or indirectly with fulfillment and processing companies such as Banta Corporation; Modus Media International, Inc.; and Zomax Incorporated.

Our Competitive Strengths

We believe the following competitive strengths allow us to become an integral part of our clients' business and contribute to our strong market position, and will enable us to continue to enhance our established presence as a leading provider of business process outsourced services:

- *Comprehensive, Integrated Outsourced Services.* We have the expertise and resources to become the one source provider for a significant portion of our clients' business process needs, including assembly, order processing, distribution, technical support and customer care. We strive to design our business process management and supply chain management services, along with their corresponding processes and systems, to provide a comprehensive package of services for our clients. We believe that our end-to-end business process outsourcing capabilities provide us with a significant advantage over competitors that outsource discrete functionalities on a per service basis.

- *Ability to Accommodate Specialized Requirements.* We have developed specialized expertise to address the needs of clients in technically-oriented industries, such as telecommunications, which generally entail critical, complex and high-volume market support requirements. Each major client relationship is led by a dedicated team of business professionals with many years of experience in the industry in which they are involved, and our technical support employees receive in-depth training in the technical aspects of our clients' products. This allows us to offer specialized services specifically targeted at our clients' needs. Our supply chain management processes address fulfillment challenges across many industries involving high technology and high-value goods by rapidly integrating assembly, packaging, warehousing, distribution and tracking to accelerate our clients' time to market and reduce their risk of product obsolescence.

- *Scalable, Flexible Business Model.* Upon a determination that business demand will support the opening of a particular business process outsourced services facility, we are generally able to develop and launch the new facility into operational status in 90 days. We believe our ability to rapidly deploy a new facility significantly differentiates us from our competitors. Our ability to quickly expand capacity allows our clients to rely on us to manage sudden changes in demand for their products. Additionally, we have developed a standardized approach to supply chain management services enabling us to assemble and package various types of products and rapidly change the type of product assembled and packaged.

- *Cost-Effective, High Quality Services.* We enable clients to provide their customers with high-quality services that, for most of our clients, are at lower cost than they could achieve through in-house operations. We also believe we provide some of the highest quality outsourced services in the industry at prices that are extremely competitive with other providers of outsourced services. We strategically locate our facilities to take advantage of quality work forces at highly competitive wage rates and we place strong emphasis on the ongoing training and retraining of our employees to apply leading technology and customer care processes with the goal of maximizing customer satisfaction.

- *Technology-Enabled Service Delivery.* We use various forms of technology and deploy them as a strategic part of our overall service delivery. We have combined commercially-available technology with our internally-developed business processes and systems to deliver a number of value-added functionalities, including advanced demand forecasting and scheduling capabilities for our clients. We believe our ability to deploy our technology effectively has enabled us to improve efficiency, serve as a transparent extension of our clients, receive telephone calls and data in various forms directly from our clients' systems and report detailed information to clients on a daily basis concerning the status and results of our services and interactions with customers.

Our Growth Strategy

We have achieved significant organic growth in our operations as measured by the number of our business process outsourcing facilities, customers, employees, revenue and net income. We expect that our service offerings, which we believe are among the leading types of services that companies may consider for outsourcing, combined with what we believe to be a trend towards businesses focusing on their core competencies, have positioned us well for future growth. The principal elements of our growth strategy are to:

- *Use Our Expertise in Complex Process Management to Address Untapped Opportunities.* Through our experience serving clients in technically-oriented industries, we have developed specialized skills in outsourcing complex processes involving sophisticated customer interaction and highly efficient fulfillment processes. At present, we believe that our processing expertise in a number of services areas, including provisioning management, wireless number porting and receivables management, provide us with a substantial competitive advantage. We intend to apply our existing process management expertise, as well as expertise we develop in the future, to address new client opportunities. We believe that our process management expertise in numerous areas can be applied to situations where clients have not previously explored the potential advantages of an outsourced alternative.

- *Strengthen Strategic Partnerships and Long-Term Relationships with Existing Clients.* We seek to develop long-term client relationships, primarily with large companies, and we believe that we will continue to sell additional business process outsourced services to our existing clients. Through the creation of our client services organization, we have been successful in identifying opportunities to provide additional services to some of our larger clients, and we intend to aggressively pursue these opportunities in the future. We invest 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 services. We believe this client-oriented, value-added, integrated approach to addressing our clients' needs distinguishes us from our competitors and plays a key role in our ability to attract and retain clients on a long-term basis.

- *Further Strengthen Our Management Team with Key Hires.* Since 2001, we have strengthened our senior and middle management ranks through the hiring or promotion of experienced personnel, including our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Information Officer and various business unit leaders. Our significant management recruiting efforts have allowed us to focus on establishing operational and service excellence while controlling costs. We pursued this proactive strategy to address the challenges arising from our organization's robust growth in terms of financial scale, operating footprint and scope of services offered. We intend to continue to recruit for key positions in our organization, particularly in sales and marketing, so that we may further capitalize on the market position and competitive momentum we have developed to date.

- *Expand Our Client Base in New Vertical Markets.* We are currently seeking to expand the industries to which we provide our wide spectrum of business process outsourced services by targeting select clients in the financial services and health care industries. We believe that clients in these industries could benefit from our expertise in developing and delivering integrated, cost-effective, outsourced services. We seek to develop a balanced revenue mix, principally by targeting Fortune 1000 companies in vertical markets characterized by high growth and sophisticated product offerings.

- *Maintain a Disciplined Approach to Expansion.* We plan to grow our revenue organically through staged expansion of the services we provide to our existing or potential clients, or through rapid deployment of capacity to assist our clients in responding to demand for their products or services. For our staged expansion strategy, we seek to obtain new clients or provide new services to existing clients by providing highly competitive pricing. Once engaged to provide a service, we seek to deliver service quality that exceeds our clients' value expectations, which should position us well to expand the scale and profitability of that project. For our capacity deployment strategy, we seek to maintain enough available capacity to meet our clients' sudden surges in demand while maintaining high capacity utilization levels throughout our organization.

- *Explore International Opportunities.* We will continue to explore international opportunities. We are evaluating international locations for potential new facilities in regions that offer labor cost advantages and technical, language and quality support capabilities meeting or exceeding our clients' requirements. While we have historically operated in the United Kingdom and have recently continued our expansion in Canada, we are evaluating the addition of substantial capacity in other international locations, possibly India or the Philippines, with available technical support capacity sufficient to allow us to maintain our level of service quality, but with lower wage structures than those prevailing in the United States.

Business Process Outsourced Services

Through our business process management and supply chain management services, we offer a wide spectrum of business process outsourcing platforms designed to provide cost-effective and efficient management services for non-core operations of our clients. We work closely with our clients to develop, refine and implement efficient and productive integrated outsourced services that link us with our clients and their customers.

Business Process Management Services. Our business process management services include provisioning management, wireless telephone number porting, receivables management, wireless telephone activations, and high-end technical support and customer care services. Substantially all of our business process management services are inbound calls initiated by our clients' customers rather than outbound calls initiated by us.

Our provisioning management personnel are responsible for managing the installation and providing ongoing support services for large-scale telecommunications networks for client customers. This service includes the outsourced installation and ongoing support for telecommunications systems such as frame relay, asynchronous transfer mode, private line connections and voice networks. Service representatives manage relationships between our client and its customers on a transparent basis. Our services enable a client to provide telecommunications services to their customers more efficiently and cost effectively.

We provide wireless number portability contact services to facilitate porting requests and to resolve related problems that escalate from the normal transfer system. As a result of mandates under the Federal Telecommunications Act of 1996, wireless carriers must provide wireless number portability, or the ability of consumers to keep their mobile phone numbers when changing service providers, to customers in the 100 largest metropolitan statistical areas in the United States. The wireless number portability requirement became effective on November 24, 2003. Our wireless number portability services, which include both automated and live agent interaction, facilitate pre-port validation, data collection, automatic processing of port-out/in requests, direct and automated interface with the service order activation platform, fallout management tool and port request tracking and archiving. By substantially reducing the need for capital expenditures relating to number porting, we free up capital for our clients to invest in front-end technology to support the wireless number portability process.

Our receivables management service allows our clients to minimize the risk of non-payment by automatically transferring the calls made by delinquent customers to us, at which point we attempt to induce the customers to pay their bill in order to continue their wireless service. Customers may bring their bill current though credit or debit card payments, electronic checks and Western Union vouchers. This service allows us to help our clients reduce their days sales outstanding and writeoffs for bad debt.

We also provide our wireless carrier clients with wireless number activation services. This allows mobile phone users to activate their services through us after entering into a service agreement with our carrier clients. The process can be completed automatically or through a live agent interaction.

Our 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 our 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 the product with access to computerized knowledge databases. Each of our service representatives acts as a transparent extension of our client when resolving complaints, diagnosing and resolving product or service problems, or answering technical questions.

Supply Chain Management Services. Our supply chain management services include packaging, fulfillment, marketing support and logistics services. The processes included in such services generally include development of product packaging based on our clients' product specifications and distribution requirements. In addition, we provide product-related software programs for telephone, facsimile, e-mail and Internet interactions involving product order processing, fulfillment and technical support.

This element of our business was historically dominated by the product assembly and packaging services we provided to Microsoft Corporation, which have declined in recent fiscal years and which we expect to continue to decline. However, we believe that other opportunities exist that will enable us to continue to offer supply chain management services as an integral part of our business process outsourced services. We believe that if we are successful in selling these types of services, we could deliver them at high volumes, and in addition, could have opportunities to further diversify our client base through subsequent contacts with consumer products companies whose products we could process for mass retailers.

When we are selected by a client to provide product assembly and packaging services, we qualify, select, certify and manage the sourcing and manufacturing of various products and related components. Such products and related components are then assembled and packaged at our facilities. We monitor supplier quality by visiting manufacturing facilities and use just-in-time production to minimize inventory in our warehouses. We believe that our strong, long-term relationships with multiple suppliers allow us to be flexible and responsive to our clients, while minimizing cost and dependency on any single supplier. In addition, our assembly lines have been designed with significant flexibility, enabling us to assemble and package various types of products and rapidly change the type of product assembled.

We receive product orders via file transfer protocol, the Internet, electronic data interchange, facsimile, as well as through our product order telephone services and e-commerce support services. We ship and track products to distribution centers, individual stores and our clients' customers directly.

Domain.com Operations

In addition to our business process outsourced services, we own a portfolio of branded vertical market Internet web sites and currently manage or lease to third parties a number of those sites, including airlines.com, wedding.com, wholesale.com, electronics.com, doctors.com, and hospitals.com. While this business has not generated significant revenue for us in the past, we believe we can use the strategic relationships generated from our vertical market web sites to cross sell our business process outsourced services.

International Operations

We provide business process management services on an international basis from Canada and the United Kingdom. Our facilities in Canada provide business process management services, in particular technical support services, for clients in North America. Our operations in Canada generated 29.8% of our revenue during 2003 and 20.7% during 2002. Our facilities in the United Kingdom provide most of our business process outsourced service platforms for clients in Europe, including business process management services such as technical support in several languages, and supply chain management such as product order fulfillment. Our United Kingdom operations generated 2.5% of our revenue during 2003 and 3.6% during 2002.

Clients

Our four largest customers, AT&T Wireless Services, Inc., Microsoft Corporation, T-Mobile, a subsidiary of Deutsche Telekom, and AT&T Corporation, account for a significant percentage of our revenue. In 2003, AT&T Wireless Services accounted for 38.1% of our revenue, Microsoft Corporation accounted for 21.7%, T-Mobile, 16.1%, and AT&T Corporation, 13.1%. In 2002, AT&T Wireless Services accounted for 26.3% of our revenue, Microsoft Corporation accounted for 34.4%, T-Mobile, 12.2%, and AT&T Corporation, 13.3%. AT&T Wireless Services has announced that it has entered an agreement to be acquired by Cingular Wireless LLC. The portion of our revenue generated by Microsoft Corporation has decreased because of changes in the way software is packaged and purchased and as a result of Microsoft Corporation decreasing the number of supply chain management vendors with which it deals, and we expect these trends to continue. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Factors"* set forth herein for a discussion of the risks associated with our reliance on these primary client relationships.

Employees and Training

Our 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 our ability to provide high quality outsourced services. To maintain good employee relations and to minimize turnover, we attempt to offer competitive pay and a range of employee benefits, and to provide employees with clear, visible career paths. To meet our service objectives, we also use temporary employees. As of December 31, 2003, we had approximately 5,942 full-time equivalent employees. The number of temporary employees we have at any time varies substantially due to fluctuations in our clients' businesses. We believe the demographics surrounding our facilities, and our reputation, stability, and compensation plans should allow us to continue to attract and retain qualified employees. We consider our employee relations to be good. None of our employees belong to labor unions or are covered by collective bargaining agreements.

Corporate Information

The predecessor to our business was founded in 1987, and we have provided business process outsourced services since our inception, initially through two of our operating subsidiaries, StarTek USA, Inc. and StarTek Europe, Ltd. On December 30, 1996, we incorporated in Delaware as a holding company for our wholly-owned operating subsidiaries, and on June 19, 1997 we completed an initial public offering of our common stock. In 1998, we formed StarTek Pacific, Ltd., a Colorado corporation, and Domain.com, Inc., a Delaware corporation, as additional wholly-owned subsidiaries. In 2001, we formed StarTek Canada Services, Ltd., a Nova Scotia, Canada corporation, which is also a wholly-owned subsidiary.

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Our principal office is located at 100 Garfield Street, Denver, Colorado 80206, our telephone number is (303) 399-2400, and our Internet address is www.startek.com.

Web Site Availability of Reports

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) and 15(d) of the Securities Exchange Act of 1934 are available free of charge through our web site (www.startek.com) as soon as reasonably practicable after we electronically file the material with, or furnish it to, the Securities and Exchange Commission.

Item 2. *Properties*

Facilities

As of December 31, 2003 we owned or leased the following facilities, containing in aggregate approximately 1,273,000 square feet:

Properties	Year Opened	Square Feet	Leased or Owned
U.S. Facilities			
Greeley, Colorado	1987	100,000	Company Owned
Aurora, Colorado	1995	138,000	Company Owned(a)
Greeley, Colorado	1998	35,000	Company Owned
Laramie, Wyoming	1998	22,000	Company Owned
Clarksville, Tennessee	1998	305,000	Company Owned(b)
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	13,800	Leased(c)
Decatur, Illinois	2003	37,500	Leased
Alexandria, Louisiana	2003	40,000	Leased(d)
International Facilities			
Hartlepool, England(2)	1993	73,000	Leased(e)
Kingston, Ontario Canada	2001	49,000	Company Owned
Kingston, Ontario Canada	2001	20,000	Leased
Cornwall, Ontario Canada	2001	74,000	Leased
Regina, Saskatchewan Canada	2003	61,988	Leased
Sarnia, Ontario Canada	2003	37,000	Leased

Substantially all of our facility space can be used to support any of our business process outsourced services. We believe our existing facilities are adequate for our current operations, but continued capacity expansion could be required to support continued growth. We intend to maintain efficient levels of excess capacity to enable us to readily provide for needs of new clients and increasing needs of existing clients.

(a) A portion of this facility is subleased to a third party, and we do not currently provide services from this facility.

(b) Facility is held under a lease financing arrangement underlying Development Revenue Notes issued by the County of Montgomery, Tennessee. We have an option to purchase the facility at the end of the lease term in 2008.

(c) Company headquarters, which houses executive and administrative employees.

(d) Commenced operations in February 2004.

(e) Single lease for two facilities, one of which was in operation as of December 31, 2003.

Item 3. *Legal Proceedings*

We have 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 our 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, 2003.

PART II

Item 5. *Market for the Registrant's Common Stock and Related Stockholder Matters*

Market Price of Common Stock

Our common stock has been listed on the New York Stock Exchange under the symbol "SRT" since June 19, 1997, the effective date of our initial public offering. The following table shows the high and low sales prices per share for our common stock on the New York Stock Exchange for the periods shown.

	High	Low
2002		
First Quarter	$24.95	$16.10
Second Quarter	$27.20	$21.46
Third Quarter	$26.76	$20.90
Fourth Quarter	$28.00	$20.25
2003		
First Quarter	$30.91	$21.51
Second Quarter	$28.85	$22.60
Third Quarter	$37.10	$25.67
Fourth Quarter	$42.80	$31.55
2004		
First Quarter (through March 8, 2004)	$43.15	$38.00

Holders of Common Stock

As of March 5, 2004, there were 35 stockholders of record and 14,359,051 shares of common stock outstanding. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Factors"* set forth herein for a discussion of risks related to control that may be exercised over us by our principal stockholders.

Dividend Policy

On February 24, 2004, we paid a cash dividend of $0.38 per share of common stock, or $5.5 million in the aggregate, to our stockholders of record on February 13, 2004. This dividend increased from the $0.37 per share dividend we declared and paid in November 2003, and the $0.36 per share dividend we declared and paid in August 2003. Prior to August 2003, we did not pay any dividends on our common stock.

We expect to continue to pay quarterly dividends on our common stock. The payment of any dividends, however, will be at the discretion of our board of directors and will depend on, among other things, availability of funds, future earnings, capital requirements, contractual restrictions, our general financial condition and business conditions generally. The terms of our $10 million line of credit prohibit us from paying dividends in an amount that would cause us to fail to meet our financial covenants. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."*

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,				
	1999	2000	2001	2002	2003
	(Dollars in thousands, except per share data)				
Statement of Operations Data:					
Revenue	$ 205,227	$ 200,750	$ 182,576	$ 207,864	$ 231,189
Cost of services	166,880	153,629	137,622	157,005	171,401
Gross profit	38,347	47,121	44,954	50,859	59,788
Selling, general and administrative expenses	20,338	29,950	25,938	22,562	28,489
Operating profit	18,009	26,171	19,016	28,297	31,299
Net interest income and other	2,814	4,655	4,318	1,986	4,048
Loss on impaired investments	—	—	(15,452)	(6,210)	—
Income before income taxes	20,823	30,826	7,882	24,073	35,347
Income tax expense	7,800	11,406	3,011	8,907	13,149
Net income	$ 13,023	$ 19,420	$ 4,871	$ 15,166	$ 22,198
Earnings per share:					
Basic	$ 0.94	$ 1.39	$ 0.35	$ 1.07	$ 1.56
Diluted	$ 0.92	$ 1.36	$ 0.34	$ 1.05	$ 1.52
Weighted average shares outstanding:					
Basic	13,874,556	14,016,851	14,053,484	14,140,765	14,243,273
Diluted	14,139,149	14,279,409	14,168,044	14,385,389	14,623,066
Selected Operating Data:					
Capital expenditures, net of proceeds	$ 12,591	$ 8,625	$ 19,008	$ 5,839	$ 23,736
Depreciation and amortization	$ 4,715	$ 5,482	$ 6,898	$ 9,220	$ 10,045
Balance Sheet Data (December 31):					
Working capital	$ 40,214	$ 56,146	$ 59,129	$ 80,379	$ 77,226
Total assets	101,435	122,283	129,153	140,421	153,607
Total debt	7,424	11,497	11,806	6,482	104
Total stockholders' equity	$ 71,046	$ 91,964	$ 95,609	$ 114,594	$ 133,000

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

Overview

We are a leading provider of business process outsourced services, which consist of business process management and supply chain management services. Our business process management services include provisioning management, wireless telephone number porting, receivables management, wireless telephone activations, and high-end technical support and customer care services. Our supply chain management services include packaging, fulfillment, marketing support and logistics services. Currently, we provide services from 18 operational facilities, including our corporate headquarters, totaling over one million square feet in the United States, United Kingdom, and Canada.

Our revenue has grown from $205.2 million in 1999 to $231.2 million in 2003. During the same period, our operating profit has grown from $18.0 million to $31.3 million, representing an increase in our operating margin from 8.8% to 13.5% of revenue. All our growth was achieved organically by developing existing customers and adding new customers rather than through mergers or acquisitions. Our operating margin has increased as our mix of revenue has shifted to higher margin business process management services.

Revenue from our business process management services has grown from $31.8 million in 1999 to $165.1 million in 2003. Revenue from our supply chain management services has declined from $173.4 million in 1999 to $66.1 million in 2003. The results of our supply chain management services include the results of our European operations and insignificant revenues from other operations, including our Domain.com subsidiary. In 2003, business process management services constituted 71.4% of our total revenues compared to 15.5% in 1999. In 2003, supply chain management services constituted 28.6% of our total revenues compared to 84.5% in 1999.

We also recognize income from our investment portfolio. As of December 31, 2003, our portfolio constituted 27.2% of our total assets, and was comprised of investment-grade and non investment-grade corporate bonds, convertible bonds, mutual funds, alternative investment partnerships, common stock and options. Net interest income and other, which is primarily driven by gains or losses in our investment portfolio, has grown from $2.8 million in 1999 to $4.0 million in 2003.

Our business process management services typically generate higher margins than our supply chain management services. Our growth in revenue has been primarily based on growth in business process management services and we believe that it will continue to be our primary source of revenue growth. Expanding our business process management services will require significant capital expenditures because it will require us to open additional facilities. In addition, we expect our selling, general, and administrative expenses to slightly increase in the quarter immediately prior to commencement of operations at each new facility.

Revenue from our supply chain management services has decreased significantly, which is almost entirely due to the decrease in services provided to Microsoft. Our Microsoft business has declined from $159.1 million in 1999 to $50.1 million in 2003. The decline resulted in part from the expiration of the Microsoft agreements in the UK and Singapore markets. As a result, we exited the Singapore market. The decrease in services we continue to provide to Microsoft is attributable to several factors, including a change in the manner Microsoft distributes its software and as a result of Microsoft decreasing the number of supply chain management vendors with which it deals. We anticipate that the supply chain management services we supply to Microsoft will continue to decline in 2004 and may become an insignificant portion of our overall revenue in subsequent years. However, we believe other opportunities exist that will enable us to continue to offer supply chain management services as an integral part of our business process outsourced services. Expanding our supply chain management services will require minimal capital expenditures because we believe we currently have sufficient capacity at our facilities for significant expansion. If we are unable to maintain or build our supply chain management services business, we may be required to shut down our facilities dedicated to such services.

We depend on our top four customers for over 85% of our revenue. In 2003, AT&T Wireless accounted for 38.1% of our revenue, Microsoft Corporation accounted for 21.7%, T-Mobile accounted for 16.1% and AT&T Corporation accounted for 13.1%. The loss of or a material reduction in business from any of these customers could have a material adverse effect on us. On February 17, 2004, AT&T Wireless, announced that it had entered an agreement to be acquired by Cingular Wireless LLC, and there can be no assurance that if AT&T Wireless is acquired the acquiror will continue to use our services.

Our industry is subject to significant price-based competition. Our strategy depends in part on our ability to continually increase the productivity level we are able to achieve. We face significant price pressure arising from our clients' desire to decrease their operating costs, and from other competitors operating in our targeted markets. Price pressure may be more pronounced during periods of economic uncertainty. Accordingly, our ability to maintain our operating margins depends on our ability to continually improve our productivity and reduce our operating costs. If we are not able to achieve sufficient improvements in productivity to adequately compensate for decreases in the prices we can charge for our services, our results of operations will be harmed.

We are subject to fluctuations in foreign exchange rates, principally in the value of the US dollar relative to the Canadian dollar and British pound. A weakening US dollar will generally result in higher operating costs for us in Canada and, to a lesser extent, in the United Kingdom. In 2003, 25.6% of our total expenses were denominated in Canadian dollars and 3.9% of our total expenses were denominated in British pounds and Euros. All of the revenue generated by our United States and Canadian operations are denominated in US dollars and the revenue generated by our United Kingdom operations, representing 2.5% of revenues in 2003, are denominated in British pounds and Euros. Prior to March 2004, we did not hedge our exposure to exchange rate fluctuations. Because our results of operations have been impacted by fluctuations in the Canadian dollar, in March 2004 we began to hedge a portion of our exposure to such fluctuations, and we intend to closely monitor our hedging policy to be consistent with our future growth strategy.

We will continue to explore international opportunities. We are evaluating international locations for potential new facilities in regions that offer labor cost advantages and technical, language and quality support capabilities meeting or exceeding our clients' requirements. While we have historically operated in the United Kingdom and have recently continued our expansion in Canada, we are evaluating the addition of substantial capacity in other international locations, possibly India or the Philippines, with available technical support capacity sufficient to allow us to maintain our level of service quality, but with lower wage structures than those prevailing in the United States. We have budgeted $5 million for capital expenditures in connection with international expansion in 2004, and we expect to incur slightly higher selling, general and administrative expenses in connection with this effort than we would in opening a domestic facility.

Basis of Presentation

We recognize revenue as business process management services are completed. We recognize revenue on supply chain management services when products are shipped. The results of our supply chain management services include the results of our European operations and insignificant revenues from other operations, including our Domain.com subsidiary. Substantially all of our significant arrangements with business process management services clients generate revenue based in large part on the number and duration of customer inquiries. Substantially all of our significant arrangements with supply chain management services clients generate revenue based in large part on the volume, complexity and type of components involved in the handling of clients' products.

Our cost of services for business process management services includes labor, telecommunications, lease, depreciation and other expenses for facilities, and expenses related to maintaining information systems to meet clients' needs. Our cost of services for supply chain management services include materials and freight expenses that are variable in nature, labor and certain facility expenses.

Selling, general and administrative expenses include 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 which generally tend to be either semi-variable or fixed.

Net interest income and other includes certain realized and unrealized gains and loss in our portfolio of investment securities, interest income and dividends from our portfolio of investment securities, net rental income from our facility in Aurora, Colorado, foreign currency exchange gains and losses and interest expense.

Critical Accounting Policies and Judgments

In preparing our financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We evaluate our estimates and judgments on an ongoing basis, including those related to bad debts, inventory valuations, property, plant, and equipment, intangible assets, income taxes, restructuring costs, contingencies, and litigation. We base our estimates and judgments on historical experience and on various other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates.

We exercise judgment in evaluating our long-lived assets for impairment. Management believes our businesses will generate sufficient undiscounted cash flow to more than recover the investments it has made in property, plant, and equipment.

As part of cash management and in addition to holding cash and money market funds, we invest in investment-grade and non investment-grade corporate bonds, convertible bonds, mutual funds, alternative investment partnerships, real estate investment trusts and various forms of equity securities. These investments are classified as trading securities, investments held to maturity or investments available for sale, based on our intent at the date of purchase. Trading securities are liquid investments bought principally for selling in the near term. Debt securities that we have both the intent and ability to hold to maturity are classified as held to maturity. All other investments not deemed to be trading securities or held to maturity are classified as investments available for sale.

Trading securities and investments available for sale are carried at fair market values. Fair market values are determined by the most recently traded price of the security or underlying investment at the balance sheet date. Due to the potential limited liquidity of some of these instruments, the most recently traded price may be different from the value that might be realized if we were to sell or close out the transactions. We do not believe such differences are substantial to our results of operations, financial condition, or liquidity.

Changes in the fair market value of trading securities are reflected in net interest income and other. Temporary changes in the fair market value of investments available for sale are reflected in stockholders' equity. We exercise judgment in periodically evaluating investments for impairment. Investments are evaluated for other-than-temporary impairment if the fair value was below our cost for six months. We then consider additional factors such as market conditions, the industry sectors in which the issuer of the investment operates, and the viability and prospects of each entity. A write-down of the related investment is recorded and is reflected as a loss on impaired investment when an impairment is considered other-than-temporary.

Results of Operations

The following table presents selected items from our statement of operations in dollars and as a percentage of revenue for the periods indicated:

	Year Ended December 31,					
	2001		2002		2003	
			(dollars in millions)			
Revenue	$182.6	100.0%	$207.9	100.0%	$231.2	100.0%
Cost of services	137.6	75.4	157.0	75.5	171.4	74.1
Gross profit	45.0	24.6	50.9	24.5	59.8	25.9
Selling, general and administrative expenses	26.0	14.2	22.6	10.9	28.5	12.3
Operating profit	19.0	10.4	28.3	13.6	31.3	13.5
Net interest income and other	4.3	2.4	2.0	1.0	4.0	1.7
Loss on impaired investments	(15.4)	(8.4)	(6.2)	(3.0)	0.0	0.0
Income before income taxes	7.9	4.3	24.1	11.6	35.3	15.3
Income tax expense	3.0	1.6	8.9	4.3	13.1	5.7
Net income	$ 4.9	2.7%	$ 15.2	7.3%	$ 22.2	9.6%

2003 Compared to 2002

Revenue. Revenue increased $23.3 million, or 11.2%, from $207.9 million in 2002 to $231.2 million in 2003. Revenue from business process management services increased $43.9 million, or 36.2%, from $121.2 million in 2002 to $165.1 million in 2003. Substantially all of this increase was due to higher volumes in services provided to AT&T Wireless Services and T-Mobile. Revenue from supply chain management services declined $20.6 million, or 23.8%, from $86.7 million in 2002 to $66.1 million in 2003. Substantially all of this decrease is attributable to the decrease in services provided to Microsoft compared to the prior year.

Cost of Services. Cost of services increased $14.4 million, or 9.2%, from $157.0 million in 2002 to $171.4 million in 2003. Cost of services decreased as a percentage of revenue, from 75.5% in 2002 to 74.1% in 2003.

Our cost of services as a percentage of revenue decreased because a larger proportion of our revenue was generated by higher gross margin business process management services relative to the lower gross margin supply chain management services. This decrease was partially offset by increased Canadian foreign currency exchange costs in 2003 attributable to the declining value of the US dollar relative to the Canadian dollar.

Our cost of services increased in dollar terms as a result of three of our new facilities commencing operations during 2003, and increased activity in our business process management services. Costs attributable to our Canadian operations also increased by $6.1 million as a result of a weaker US dollar during 2003. These increased costs were partially offset by lower costs in our supply chain management services, which had lower volume in 2003.

Gross Profit. Gross profit increased $8.9 million in 2003, or 17.5%, from $50.9 million in 2002 to $59.8 million in 2003. As a percentage of revenue, gross profit increased from 24.5% in 2002 to 25.9% in 2003.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses increased $5.9 million, or 26.1%, from $22.6 million in 2002 to $28.5 million in 2003. As a percentage of revenue, selling, general, and administrative expenses increased from 10.9% in 2002 to 12.3% in 2003. Our selling, general, and administrative expenses as a percent of revenue increased due to indirect costs associated with preparing our four new facilities for operations, three of which commenced operations in 2003, and increased salaries and bonuses associated with hiring additional members of senior management.

Operating Profit. Operating profit increased $3.0 million, or 10.6%, from $28.3 million in 2002 to $31.3 million in 2003. As a percentage of revenue, operating profit decreased from 13.6% in 2002 to 13.5% in 2003, primarily as a result of increased Canadian foreign currency exchange costs, and higher selling, general, and administrative expenses associated with preparing our four new facilities for operations.

Net Interest Income and Other. Net interest income and other increased $2.0 million, or 100.0%, from $2.0 million of income in 2002 to $4.0 million of income in 2003. The increase is primarily the result of realized portfolio gains of $2.7 million due to improving conditions in the capital markets, partially offset by costs totaling $0.3 million relating to our idle facility in Aurora, Colorado.

Loss on Impaired Investments. In 2002, we recognized a non-cash loss on impaired investments of $6.2 million due to declines classified as other-than-temporary in the fair value of investments available for sale, principally our investments in common stock that we determined to be other-than-temporary, offset by a $0.1 million partial cash recovery of the Six Sigma investment impaired in 2001.

Income Before Income Taxes. Income before income taxes increased $11.2 million, or 46.5%, from $24.1 million in 2002 to $35.3 million in 2003. As a percentage of revenue, income before taxes increased from 11.6% in 2002 to 15.3% in 2003.

Income Tax Expense. Income tax expense increased from $8.9 million in 2002 to $13.1 million in 2003, which reflects a provision for federal, state, and foreign income taxes at an effective rate of 36.9% in 2002 and 37.1% in 2003.

Net Income. Net income increased $7.0 million, or 46.1%, from $15.2 million in 2002 to $22.2 million in 2003.

2002 Compared to 2001

Revenue. Revenue increased $25.3 million, or 13.9%, from $182.6 million in 2001 to $207.9 million in 2002. Revenue from business process management services increased $37.9 million, or 45.5% from $83.3 million in 2001 to $121.2 million in 2002. This increase is attributable to higher volumes in services for AT&T Wireless, T-Mobile, and AT&T Corporation, partially offset by the loss of a contract that accounted for $13.0 million in revenue in 2001. We have been advised that the customer moved the functions we performed under this contract to a competitor's facility offshore. Revenue from supply chain management services decreased $12.6 million, or 12.7%, from $99.3 million in 2001 to $86.7 million in 2002. This decrease was primarily due to a reduction in revenues from Microsoft.

Microsoft did not renew its Singapore supply chain management contract when it expired in January 2002 and its UK supply chain management contract when it expired in June 2002. The expiration of these contracts resulted in a loss of revenue of approximately $13.0 million.

Cost of Services. Cost of services increased $19.4 million, or 14.1%, from $137.6 million in 2001 to $157.0 million in 2002. As a percentage of revenue, cost of services was 75.4% in 2001 and 75.5% in 2002.

The change in our cost of services as a percentage of revenue resulted from higher margin business process management services generating a greater proportion of total revenue in 2002, offset by including certain expenses in cost of services that were included in selling, general and administrative expenses in 2001. The change in the treatment of these expenses was a result of our examination of costs and job functions associated with certain managers in 2002, and consequent allocation of these costs from selling, general and administrative expenses to cost of services.

Gross Profit. Gross profit increased $5.9 million in 2002, or 13.1%, from $45.0 million in 2001 to $50.9 million in 2002. As a percentage of revenue, gross profit was essentially unchanged at 24.6% in 2001 and 24.5% in 2002.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses decreased $3.4 million, or 13.1%, from $26.0 million in 2001 to $22.6 million in 2002. As a percentage of revenue, selling, general and administrative expenses decreased from 14.2% in 2001 to 10.9% in 2002.

In 2002 we examined the costs and job functions associated with certain managers that were previously included in selling, general and administrative expenses. As a result, these costs that would have been captured in selling, general and administrative expenses were classified as direct costs, and accordingly were reflected as cost of services. A portion of this decrease was due to the lack of new facilities opened in 2002 compared to three new facilities opened in 2001, partially offset by increased costs associated with the hiring of new senior management personnel.

Operating Profit. Operating profit increased $9.3 million, or 48.9%, from $19.0 million in 2001 to $28.3 million in 2002. As a percentage of revenue, operating profit increased from 10.5% in 2001 to 13.6% in 2002. Although the expiration of Microsoft agreements negatively impacted revenue in 2002, operating profits were not significantly affected because of the low profit margins associated with the Microsoft Singapore agreement, and our ability to make adjustments to our personnel levels and infrastructure and otherwise eliminate costs associated with performing these agreements.

Net Interest Income and Other. Net interest income and other decreased $2.3 million, or 53.5%, from $4.3 million in 2001 to $2.0 million in 2002. Substantially all net interest income and other was derived from cash equivalents and investment balances, partially offset by interest expense incurred as a result of our various debt and lease arrangements. The decrease resulted primarily from reduced portfolio income of $1.7 million as compared to 2001 due to the weakened economy, lower interest rates and poor securities markets.

Loss on Impaired Investments. Loss on impaired investments decreased $9.2 million, or 59.7% from $15.4 million in 2001 to $6.2 million in 2002. As a percentage of revenue, loss on impaired investments decreased from 8.4% in 2001 to 3.0% in 2002.

The 2002 non-cash loss is the result of $6.3 million of declines in the fair value of investments available for sale that we determined to be other-than-temporary, offset by a $0.1 million partial cash recovery of the Six Sigma investment impaired in 2001. The 2001 loss was the result of the impairment of two investments. The first impairment, of $3.1 million, was related to our investment in Six Sigma, LLC and occurred due to the bankruptcy filing of Six Sigma, LLC because of alleged misappropriation of funds from its customer. The second impairment, of $12.4 million, was related to our investment in Gifts.com, Inc. and resulted from continued operating losses, negative cash flows, and a deficiency in working capital of Gifts.com, Inc.

Income Before Income Taxes. Income before income taxes increased $16.2 million, or 205.1%, from $7.9 million in 2001 to $24.1 million in 2002. As a percentage of revenue, income before income taxes increased from 4.3% in 2001 to 11.6% in 2002.

Income Tax Expense. Income tax expense for 2001 and 2002 increased from $3.0 million in 2001 to $8.9 million in 2002, which reflects a provision for federal, state, and foreign income taxes at an effective rate of 38.0% in 2001 and 36.9% in 2002.

Net Income. Net income increased $10.3 million, or 210.2%, from $4.9 million in 2001 to $15.2 million in 2002.

Liquidity and Capital Resources

Since our initial public offering in 1997, we have primarily financed our 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.

In addition to funding basic operations, our primary uses of cash relate to capital expenditures to open new facilities, capital expenditures to upgrade our existing information technologies and the payment of dividends. In 2004, we have budgeted for $15 million in capital expenditures to open new facilities and

$11 million in capital expenditures on our information technology infrastructure. Our actual capital expenditures for new facilities may vary depending on the number and locations of new facilities opened in 2004. We believe our existing facilities are adequate for our current operations, but capacity expansion will be required to support our continued growth. Management intends to maintain a certain amount of excess capacity to enable us to readily provide for the needs of new clients and the increasing needs of existing clients. Our anticipated investment in information technology infrastructure is geared toward remaining competitive in our current business and to acquire additional functionalities necessary for us to be able to compete for new business.

We established a quarterly dividend policy in August 2003 and we intend to continue to pay quarterly dividends. In the first quarter of 2004 we paid a dividend of $0.38 per share, or an aggregate of $5.5 million. Assuming we continue to pay a dividend at the same rate and do not issue a substantial number of shares of common stock, we will use approximately $21.8 million of cash to pay dividends in 2004.

We maintain a $10.0 million unsecured line of credit with Wells Fargo Bank West, N.A. which we use to finance regular, short-term operating expenses. Borrowing under this line of credit bears interest at the bank's prime rate minus 1% (3.00% as of December 31, 2003). In 2003, interest expense associated with this facility totaled $18,963. Under this line of credit, we are not permitted to post net losses in any two consecutive quarterly periods. In addition, we were required to have a minimum tangible net worth of $80.0 million as of December 31, 2003. At the close of each subsequent fiscal year, we will be required to have a minimum tangible net worth equal to the minimum tangible net worth we were required to have at the end of the prior fiscal year plus 25% of net income (if positive) for that year. We may not pay dividends in an amount that would cause a failure to meet our financial covenants. As of December 31, 2003, we were in compliance with the financial covenants pertaining to the unsecured line of credit and $10.0 million was available under this line of credit. In February 2004, we entered into a secured equipment loan with Wells Fargo Equipment Finance, Inc. in the amount of $10.0 million. The loan bears interest at a rate of 3.65% per annum. Principal and interest are payable in 48 monthly installments in an amount of $224,228. The loan is secured by certain furniture, telephone and computer equipment purchased with the proceeds of the loan.

Cash from Operating Activities. Net cash provided by operating activities increased from $21.1 million for the year ended December 31, 2002 to $27.4 million for the year ended December 31, 2003. Growth in net income from 2002 to 2003 was offset by an increase in net accounts receivable of $6.2 million accounted for the increase. The increase in net accounts receivable was associated with the increase in the proportion of our revenues attributable to business process management services, which has a longer collections period.

Cash from Investing Activities. Net cash used in investing activities increased from $19.0 million for the year ended December 31, 2002 to $19.6 million for the year ended December 31, 2003. Purchases of property, plant, and equipment increased $18.0 million, from $5.9 million in 2002 to $23.9 million in 2003. Investments in new client service facilities accounted for most of the increase in capital expenditures. In 2002, we opened no new facilities. In 2003, we opened four new facilities, including three that commenced operations that year and one that commenced operations in February 2004. The increase in purchases of property, plant, and equipment was largely offset by a $17.0 million increase in proceeds from disposition of investments available for sale.

Cash from Financing Activities. Net cash used in financing activities increased from $3.7 million for the year ended December 31, 2002 to $14.9 million for the year ended December 31, 2003. The declaration of dividend payments totaling $5.1 million in the third quarter of 2003 and $5.3 million in the fourth quarter of 2003 accounted for most of this increase.

We paid a cash dividend of $0.38 per share, or an aggregate of $5.5 million, on February 24, 2004. We expect to continue to pay quarterly dividends on our common stock. The payment of any dividends, however, will be at the discretion of our board of directors and will depend on, among other things, availability of funds, future earnings, capital requirements, contractual restrictions, our general financial condition and business conditions generally.

Foreign Currency Translation Effects. We are paid for our services with clients and subcontractors typically in US dollars except for certain agreements related to our United Kingdom operations, which accounted for 2.5% of our revenue in the year ended December 31, 2003. The effect of currency exchange rate changes on translation of revenue from our United Kingdom operations was not substantial during the year ended December 31, 2003.

Because we translate US dollars into Canadian dollars to pay our expenses in Canada, our financial results in US dollars are affected by changes in currency translation rates. Expenditures related to our operations in Canada increased $22.8 million Canadian, or 47.5%, from $48.0 million Canadian in 2002 to $70.8 million Canadian in 2003. In US dollars, these expenditures were $30.6 million in 2002 and $51.1 million in 2003, an increase of $20.5 million, or 67.0%. If Canadian expenditures had remained constant from 2002 to 2003, the exchange rate impact from the weakening US dollar from 2002 to 2003 would have been $4.1 million. Increased Canadian expenditures in 2003 resulted in an additional exchange rate impact of $2.0 million. Thus, the total exchange rate impact of the weakening US dollar from 2002 to 2003 was $6.1 million.

If the international portion of our business continues to grow, more revenue and expenses will be denominated in foreign currencies and our exposure to fluctuations in currency exchange rates will increase. See *"Quantitative and Qualitative Disclosure About Market Risk"* set forth herein for a further discussion of exposure to foreign currency exchange risks in connection with our investments.

Management believes our cash, cash equivalents, investments, anticipated cash flows from future operations, and line of credit will be sufficient to support our operations, capital expenditures, and various repayment obligations under our debt and lease agreements for at least the next twelve months. Liquidity and capital requirements depend on many factors, including, but not limited to, our ability to retain or successfully and timely replace our principal clients and the rate at which we expand our business, whether internally or through acquisitions and strategic alliances. To the extent funds generated from sources described above are insufficient to support our activities in the short or long-term, we will be required to raise additional funds through public or private financing. Additional financing may not be available, or if available, it may not be available on terms favorable to us.

Contractual Obligations

Other than operating leases for certain equipment and real estate and commitments to purchase goods and services in the future, in each case as reflected in the table below, we have no significant off-balance sheet transactions, unconditional purchase obligations or similar instruments and we are not a guarantor of any other entities, debt or other financial obligations. The following table presents a summary of our contractual obligations and payments, by period, as of December 31, 2003:

	Less Than One Year	One to Three Years	Four to Five Years	More than Five Years	Total
			(Dollars in thousands)		
Long-term debt(1)	$ 26	$ 52	$ 26	$ —	$ 104
Operating leases(2)	3,440	5,236	4,198	4,627	17,501
Purchase obligations(3)	5,762	10,670	844	—	17,276
Total contractual obligations	$ 9,228	$ 15,958	$ 5,068	$4,627	$34,881

(1) Our debt associated with our Greeley North facility is forgiven at a rate of $26,136 per year as long as we remain in the facility. The table does not reflect $10.0 million principal amount of equipment purchase debt that we incurred in February 2004.

(2) We lease facilities and equipment under various non-cancelable operating leases.

(3) Purchase obligations include commitments to purchase goods and services that in some cases may include provisions for cancellation.

New Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. We adopted SFAS No. 143 on January 1, 2003, and the adoption of this statement did not result in any material impact.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which provides guidance related to accounting for costs associated with disposal activities covered by SFAS No. 144 and with exit or restructuring activities previously covered by Emerging Issues Task Force ("EITF") Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).* SFAS No. 146 supercedes EITF Issue No. 94-3 in its entirety. SFAS No. 146 requires that costs related to exiting an activity or to a restructuring not be recognized until the liability is incurred. SFAS No. 146 has been applied prospectively to exit or disposal activities initiated after December 31, 2002, and it had no material impact on results of operations and financial position.

In December 2002, the FASB issued SFAS No. 148, which provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also requires that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in a tabular format. Additionally, SFAS No. 148 requires disclosure of the pro forma effect in interim financial statements. The transition requirements of SFAS No. 148 are effective for our fiscal year 2003. SFAS No. 123, "Accounting and Disclosure of Stock-Based Compensation," establishes an alternative method of expense recognition for stock-based compensation awards to employees based on estimated fair values. We elected not to adopt SFAS 123 for expense recognition purposes. It is expected FASB may require fair value accounting for stock options in the future, potentially beginning in 2005. However, the methodology to establish fair value for this purpose has not yet been determined.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ("SFAS No. 150"). SFAS No. 150 clarifies the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity and requires that those instruments be classified as liabilities (or assets in certain circumstances) in statements of financial position. SFAS No. 150 also requires disclosures about alternative ways of settling the instruments and the capital structure of entities — all of whose shares are mandatorily redeemable. SFAS No. 150 is generally effective for all financial instruments entered into or modified after May 31, 2003. The adoption of SFAS 150 had no impact on our financial statements.

On December 17, 2003, the Staff of the Securities and Exchange Commission (SEC or the Staff) issued Staff Accounting Bulletin No. 104 ("SAB 104"), *Revenue Recognition,* which supercedes SAB 101, *Revenue Recognition in Financial Statements.* SAB 104's primary purpose is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, superceded as a result of the issuance of EITF 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables.* SAB 104 did not have a significant impact on our consolidated statements of income or financial position.

Risk Factors

Over 80% of our revenue in the past several years has been received from our four largest clients. The loss or reduction in business from any of these clients would harm our business and results of operations.

The following table represents revenue concentrations of our principal clients:

	Year Ended December 31,		
	2001	2002	2003
AT&T Wireless Services, Inc.	19.1%	26.3%	38.1%
Microsoft Corporation	48.4%	34.4%	21.7%
T-Mobile, a subsidiary of Deutsche Telekom	6.5%	12.2%	16.1%
AT&T Corporation	10.8%	13.3%	13.1%

The loss of a principal client, a material reduction in the amount of business we receive from a principal client, or the loss, delay or termination of a principal client's product launch or service offering would harm our business, revenue and operating results. We may not be able to retain our principal clients or, if we were to lose any of our principal clients, we may not be able to timely replace the revenue generated by the lost clients. In addition, the revenue we generate from our principal clients may decline or grow at a slower rate in future periods than it has in the past. In the event we lose any of our principal clients, we may suffer from the costs of underutilized capacity because of our inability to eliminate all of the costs associated with conducting business with that client, which could exacerbate the harm that the loss of a principal client would have on our operating results and financial condition. As discussed below, AT&T Wireless Services, Inc. has entered an agreement to be acquired, and there can be no assurance that if AT&T Wireless is acquired the acquiror will continue to use our services.

Our client base is concentrated in a few select industries and our strategy partially depends on a trend of companies in these industries to outsource non-core services. If these industries suffer a downturn or the trend toward outsourcing reverses, our business will suffer.

Our current client base generally consists of companies engaged in the telecommunications and computer software industries, with over 65% of our revenue in 2003 coming from the telecommunications industry. Our business and growth is largely dependent on continued demand for our services from clients in these industries and other industries we may target in the future, and on trends in those industries to purchase outsourced services. Consolidation in our targeted industries may decrease the potential number of buyers for our services. We are particularly vulnerable on this issue given the relatively few significant customers we currently serve and the concentration of these customers in the telecommunications industry. For example, AT&T Wireless, one of our largest customers, has announced that it has entered an agreement to be acquired by Cingular Wireless LLC in a transaction that Cingular and AT&T Wireless expect to close as soon as late 2004. Any transaction between these companies is subject to regulatory approvals and other contingencies. Neither Cingular nor the other principal bidders for AT&T Wireless are our customers, and there can be no assurance that if AT&T Wireless is acquired the acquiror will continue to use our services. If AT&T Wireless or its successor discontinues the use of our services, our business, financial condition and results of operations would be harmed. Moreover, a general and continuing economic downturn in the telecommunications and technology industries or in other industries we target, or a slowdown or reversal of the trend in these industries to outsource services we provide, could harm our business, results of operations, growth prospects, and financial condition.

The revenue we receive from Microsoft Corporation has declined in recent periods and we believe will continue to decline throughout 2004. If we are unable to replace this revenue, our business and results of operations will be harmed.

The revenue we generate from Microsoft Corporation, which is primarily from sales of supply chain management services, has steadily declined over the past several years, decreasing from a high of

$159.1 million in 1999 to $50.1 million in 2003. We expect that the revenue we receive from Microsoft Corporation will continue to decline throughout 2004 and may become an insignificant portion of our overall revenue stream in subsequent years. While we hope to replace this business with other supply chain management clients or by selling other business process outsourced services to new and existing clients, we may not be successful in these efforts. If we are unable to replace this revenue, our business and results of operations will be harmed.

Our markets are highly competitive. If we do not compete effectively, we may lose our existing business or fail to gain new business.

The markets in which we operate are highly competitive, and we expect competition to persist and intensify in the future. We view in-house operations of our existing and potential clients to be our most significant competitor. Many of our clients or potential clients have in-house capabilities enabling them to perform some or all of the services we provide. Our performance and growth could be impeded if clients or potential clients decide to shift to their in-house operations services they currently outsource, or if potential clients retain or increase their in-house capabilities.

Our other competitors include small firms offering limited supply chain management services, divisions of large companies and independent firms. We anticipate that competition from low-cost, offshore providers of outsourced services will increase in the near future and that such providers will remain an important competitor group. A number of our competitors have or may develop greater name recognition or financial and other resources than we have. Similarly, additional competitors with greater name recognition and resources than we have may enter the markets in which we operate. Some competitors may offer a broader suite of services than we do, which may result in potential clients consolidating their use of outsourced services with our competitors rather than using our services. Competitive pressures from current or future competitors could also result in substantial price erosion, which could harm our revenue, margins, and financial condition.

Our contracts generally do not contain minimum purchase requirements and can generally be terminated by our customers on short notice without penalty.

We typically enter into written agreements with each client for our services, although we perform some supply chain management services on a purchase order basis. We seek to sign multi-year contracts with our clients, but our contracts, including our contracts with our principal clients, generally:

- permit termination upon 30 to 90 days notice by our clients;
- do not designate us as our clients' exclusive outsourced services provider;
- do not penalize our clients for early termination;
- hold us responsible for work performed that does not meet pre-defined specifications; and
- do not contain minimum purchase requirements.

Accordingly, we face the risk that our clients may cancel contracts we have with them, which may harm our results. If a principal client cancelled our contract with them, our results would suffer. In addition, because the amount of revenue generated from any particular client is generally dependent on end customers' purchase and use of that client's products, our business depends in part on the success of our clients' products. The number of customers who are attracted to the products of our clients may not be sufficient or our clients may not continue to develop new products that will require our services, in which case it may be more likely for our clients to terminate their contracts with us.

Our existing and potential clients are currently decreasing the number of vendors they are using to outsource their business process services. If we lose more business than we gain as a result of this consolidation, our business and results of operations will be harmed.

Our existing clients, such as Microsoft Corporation, as well as a number of clients we are currently targeting, have begun to decrease the number of firms they rely on to outsource their business process outsourced services. We believe these clients are taking this action in order to increase accountability and decrease their costs. If this consolidation results in us losing one or more of our clients, our business and results of operations will be harmed. In addition, this consolidation could make it more difficult for us to secure new clients, which could limit our growth opportunities.

We generate revenue based on the demand for, and inquiries generated by, our clients' products and services. If our clients' products and services are not successful, our revenue and results of operations will be harmed.

In substantially all of our client relationships, we generate revenue based, in large part, on the amount of products and services demanded by our clients' customers. The amount of our revenue also depends on the number and duration of customer inquiries. Consequently, the amount of revenue generated from any particular client is dependent upon consumers' interest in and use of that client's products or services. If customer interest in any products or services offered by our clients and for which we provide outsourced services were to diminish, our revenue would be harmed.

We face considerable pricing pressure in our business, and if we are not able to continually increase our productivity our operating margins and results of operations may be harmed.

Our strategy depends in part on our ability to continually increase the productivity level we are able to achieve. We face significant price pressure arising from our clients' desire to decrease their operating costs, and from other competitors operating in our targeted markets. Price pressure may be more pronounced during periods of economic uncertainty. Accordingly, our ability to maintain our operating margins depends on our ability to continually improve our productivity and reduce our operating costs. If we are not able to achieve sufficient improvements in productivity to adequately compensate for decreases in the prices we can charge for our services, our results of operations will be harmed.

If the value of our portfolio of investment securities declines, our results of operations will suffer.

Approximately 27.2% of our total assets as of December 31, 2003 consisted of investment securities. We have made investments in publicly-traded debt, equity and equity-linked securities, and the market prices of the securities have been volatile. We have also invested in limited partnerships that own marketable securities, and we are generally unable to sell these limited partnership interests or withdraw our capital from these investment partnerships without 30 to 60 days prior notice to the general partner. We periodically review investments available for sale for other than temporary declines in fair value, and write down investments to their fair value when such a decline has occurred. In 2001, we recognized a loss on impaired investments totaling $15.5 million related to our investments in Six Sigma, LLC and Gifts.com, Inc., and in 2002 we recognized a loss on impaired investments totaling $6.2 million related to a decline in the value of investments we determined to be other than temporary. Unrealized gains or losses on investments acquired as trading securities are recognized as they occur. Future adverse changes in market conditions or poor operating results of companies in which we have invested could result in losses. Such charges harm our reported financial results in the period during which they are recognized.

Advanced technologies could make our services less competitive, and we may not be able to respond adequately to the development of any such technologies.

Technologies that our clients or competitors already possess or may in the future develop or acquire may decrease the costs or increase the efficiency of services with which we compete. For instance, software downloading and changes in software packaging have harmed demand for our supply chain management services. As a result, our supply chain management services, which once constituted the majority of our business, have declined significantly as we have shifted our focus and resources to providing business process management services. Other aspects of our business could be similarly affected by technological changes in business services. We believe that our principal competitors currently have greater technological capabilities than we do and we must invest in our technology to remain competitive in our current businesses and to be able to compete for new business. We may not be able to develop and market any new services that use or effectively compete with existing or future technologies, and any such services may not be commercially successful. Furthermore, our competitors may have greater resources to devote to research and development than we do, and accordingly may have an ability to develop and market new technologies with which we are not able to successfully compete.

Several constraints may impede our ability to grow our business.

Our future growth depends on our ability to initiate, develop and maintain new client relationships, as well as our ability to maintain relationships with our existing principal clients. To generate new business we may need to increase the size of our sales and marketing staff. We may also need to increase our capacity through the addition of facilities and the recruitment and training of additional management and service personnel. If we do not adequately increase the strength of our sales force or expand our capacity, we may not grow as fast as we expect, which could harm our stock price.

If we do not effectively manage our growth or control costs related to growth, our results of operations will suffer.

We intend to grow our business by expanding our client base and increasing the services we provide to existing clients. Growth could place significant strain on our management, employees, operations, operating and financial systems, and other resources. To accommodate significant growth we would be required to expand and improve our information systems and procedures and train, motivate, and manage a growing workforce, all of which would increase our costs. Our systems, procedures, and personnel may not be adequate to support our future operations. Further, we may not be able to maintain or accelerate our current growth, effectively manage our expanding operations, or achieve planned growth on a timely and profitable basis. If we are unable to manage our growth efficiently or if growth does not occur, our business, results of operations, and financial condition could suffer.

If we are not able to hire and retain qualified employees, our ability to service our existing customers and retain new customers will be adversely affected.

Our success is largely dependent on our ability to recruit, hire, train, and retain qualified employees. Our business is labor intensive and, as is typical for our industry, continues to experience relatively high personnel turnover. Our operations, especially our technical support and customer care services, generally require specially trained employees. Increases in our employee turnover rate could increase our recruiting and training costs and decrease our operating efficiency and productivity. Also, the addition of new clients or implementation of new projects for existing clients may require us to recruit, hire, and train personnel at accelerated rates. We may not be able to successfully recruit, hire, train, and retain sufficient qualified personnel to adequately staff for existing business or future growth, particularly when we undertake new client relationships in industries in which we have not previously provided services. We intend to enter the financial services and health care markets, which may require us to recruit, hire and train personnel with experience relevant to those industries. In addition, because a substantial portion of our operating expenses consists of labor related costs, labor shortages or 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 cause our business, operating profits, and financial condition to suffer.

We experienced declines in our revenue in 2000 and 2001, and we may experience future declines in revenue.

Our revenue declined from $205.2 million in 1999 to $200.8 million in 2000 and $182.6 million in 2001. These declines were caused primarily by the phase-out of our work for Microsoft Corporation in Asia, and to a lesser extent were related to a sluggish global economy. Similarly, our operating profit declined from $26.2 million in 2000 to $19.0 million in 2001, due to the decreases in our revenue and increased expenses. While our revenue and operating profit increased in 2002 and 2003, our revenue and operating profit are highly dependent on our principal client relationships and on general economic conditions both domestically and abroad. We believe that we, as well as a number of our clients, are particularly vulnerable to recession or other significant economic events or downturns. Declines in the general economy could once again cause our financial results to suffer. In the event our financial results deteriorate, the market price of our common stock is likely to fall.

Our lack of a significant international presence may harm our ability to serve existing customers or limit our ability to obtain new customers.

Although we currently conduct operations in Canada and the United Kingdom, we do not have a significant international presence. This lack of international operations could harm our business if one or more of our customers decide to move their existing business process services offshore. Our lack of a significant international presence may also limit our ability to gain new clients who may require business process service providers to have this flexibility.

The movement of business process services to other countries, particularly India, has been extensively reported by the press. Most analysts continue to believe that many outsourced services will continue to migrate to other countries with lower wages than those prevailing in the United States. Accordingly, unless and until we develop additional international operations, we may be competitively disadvantaged versus a number of our competitors who have already devoted significant time and money to operating offshore. If we decide to open facilities in or otherwise expand into additional countries, we may not be able to successfully establish operations in the markets that we target.

We face risks inherent in conducting business in Canada and the United Kingdom.

International operations, which prior to February 2002 included operations in Singapore in addition to our current operations in Canada and the United Kingdom, accounted for 32.3% of our revenue in 2003, 24.3% of our revenue in 2002, and 21.5% of our revenue in 2001. There are risks inherent in conducting international business, including:

- competition from local businesses or established multinational companies, who may have firmly established operations in particular foreign markets giving them an advantage regarding labor and material costs;
- potentially longer working capital cycles;
- unexpected changes in foreign government programs, policies, regulatory requirements, and labor laws; and
- difficulties in staffing and effectively managing foreign operations.

One or more of these factors may have an impact on our international operations. Our lack of significant international operating experience may result in any of these factors impacting us to a greater degree than they impact our competitors. To the extent one or more of these factors harms our international operations, it could harm our business, results of operations, growth prospects, and financial condition as a whole.

Our operations in Canada and the United Kingdom subject us to the risk of currency exchange fluctuations.

Because we conduct a material portion of our business in Canada and the United Kingdom, we are exposed to market risk from changes in the value of the Canadian dollar, and to a lesser extent the British pound. Fluctuations in exchange rates impact our results though translation and consolidation of the financial results of our foreign operations, and therefore may impact our results of operations and financial condition. A significant change in the value of the dollar against the currency of one or more countries where we operate may have a negative impact on our results. Our results of operations have been negatively impacted by the increase in the value of the Canadian dollar in relation to the value of the U.S. dollar during 2003 because our contracts are denominated in U.S. dollars while our costs of doing business in Canada are denominated in Canadian dollars. Further increases in the value of the Canadian dollar or currencies in other foreign markets in which we operate in relation to the value of the U.S. dollar would further increase such costs and harm our results of operations. Because our results of operations have been impacted by fluctuations in the Canadian dollar, in March 2004 we began to hedge a portion of our exposure to such fluctuations, and we intend to closely monitor our hedging policy to be consistent with our future growth strategy.

If we experience an interruption to our business, our results of operations may suffer.

Our operations depend on our ability to protect our 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 the ability of our suppliers to deliver component parts quickly. We maintain procedures and contingency plans to minimize the detrimental impact of adverse events, but if such an event occurs our procedures and plans may not be successful in protecting us from losses or interruptions. In the event we experience temporary or permanent interruptions or other emergencies at one or more of our facilities, our business could suffer and we may be required to pay contractual damages to our clients, or allow our clients to renegotiate their arrangements with us. Although we maintain property and business interruption insurance, such insurance may not adequately or timely compensate us for all losses we may incur. Further, our telecommunication systems and networks, and our ability to timely and consistently access and use telephone, Internet, e-commerce, e-mail, facsimile connections, and other forms of communication are substantially dependent upon telephone companies, Internet service providers, and various telecommunication infrastructures. If such communications are interrupted on a short- or long-term basis, our services would be similarly interrupted and delayed.

Our quarterly operating results have historically varied and may not be a good indicator of future performance.

We have experienced and expect to continue to experience, quarterly variations in revenue and operating results as a result of a variety of factors, many of which are outside our control, including:

• timing of existing and future client product launches or service offerings;

• expiration or termination of client projects;

• timing and amount of costs incurred to expand capacity in order to provide for further revenue growth from existing and future clients;

• seasonal nature of some clients' businesses;

• cyclical nature of high technology clients' businesses; and

• changes in the amount and growth rate of revenue generated from our principal clients.

In addition, our revenue has historically been higher in the fourth quarter of each calendar year than in other quarters due to timing of client marketing programs and product launches, which are typically geared toward the holiday buying season. As a result of the decrease in our supply chain management business over the past several years, as well as a shift in the mix of services we provide, we are not currently experiencing the same level of seasonal fluctuations in our business as we have in the past. However, changes in the mix of services we provide our clients or entering into contracts with new clients may increase our exposure to seasonal fluctuations.

We depend on our key management personnel and the loss of service of one or more key executives could cause our business to suffer.

Our success to date has depended in part on the skills and efforts of our senior management, particularly our Chairman, A. Emmet Stephenson, Jr., and our President and Chief Executive Officer, William E. Meade, Jr. Mr. Stephenson has a verbal advisory agreement with us, but there can be no assurance that we can retain his services. In May 2001, we entered into an employment agreement with Mr. Meade providing for, among other things, the services of Mr. Meade as our President and Chief Executive Officer through May 2006. Either we or Mr. Meade may terminate his employment for any reason upon 90 days' written notice, and upon termination by either party other than for cause or death, Mr. Meade would be entitled to receive one year's annual base salary. The loss of Mr. Stephenson or Mr. Meade, or our inability to hire and retain other qualified officers, directors and key employees could have a harmful effect on our growth prospects, results of operations, and financial condition.

Our operating costs may increase as a result of higher labor costs.

During the recent economic downturn, we, like a number of companies in our industry, sought to limit our labor costs by limiting salary increases and payment of cash bonuses to our employees. If the recent economic upturn in the United States continues or accelerates, we may need to increase salaries or otherwise compensate our employees at higher levels in order to remain competitive and avoid losing personnel. Higher salaries or other forms of compensation are likely to increase our cost of operations, and if such cost increases are not more than offset by increased revenue they will harm our financial results.

If we do not use our facilities efficiently, our profitability will suffer.

Our profitability is influenced by our facilities capacity utilization. The majority of our business involves technical support and customer care services initiated by our clients' customers, and as a result our capacity utilization varies and demands on our capacity are, to some degree, beyond our control. We have experienced periods of idle capacity, particularly in our multi-client supply chain management facilities. In addition, we have experienced, and in the future may experience, idle peak period capacity when we open a new facility or terminate or complete a large client program. These periods of idle capacity may be exacerbated if we expand our facilities or open new facilities in anticipation of new client business, because we generally do not have the ability to require a client to enter into a long-term contract or to require clients to reimburse us for capacity expansion costs if they terminate their relationship with us. From time to time, we assess the expected long-term capacity utilization of our facilities. Accordingly, we may, if deemed necessary, consolidate or close under-performing facilities in order to maintain or improve targeted utilization and margins. There can be no assurance that we will be able to achieve or maintain optimal facilities capacity utilization.

We are relying on a relatively new management team to grow our business.

In the past three years we have appointed a new Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer. In addition, we have hired a number of additional management-level employees, many of them into newly-created positions, in the past year. We must successfully integrate all new management and other key positions within our organization in order to achieve our operating objectives. Our future financial performance will depend to a significant extent on our ability to motivate and retain key management personnel. Competition for qualified management personnel is intense and in the event we experience further changes in our senior management positions, we cannot be assured that we will be able to recruit suitable replacements. Even if we are successful, changes in key management positions may temporarily harm our financial performance and results of operations as new management becomes familiar with our business. We do not maintain key person life insurance on any of our executive officers, and with the exception of Mr. Meade, our Chief Executive Officer, have generally not entered into noncompetition agreements with our executive officers.

Geopolitical military conditions, including terrorist attacks and other acts of war, may materially and adversely affect the markets in which we operate and our results of operations.

Terrorist attacks and other acts of war, and any response to them, may lead to armed hostilities and such developments could cause substantial business uncertainty. Such uncertainty could result in potential clients being reluctant to enter into new business relationships, which would harm our ability to win new business. Armed hostilities and terrorism may also directly impact our facilities, personnel and operations, as well as those of our suppliers and customers. Furthermore, severe terrorist attacks or acts of war may result in temporary halts of commercial activity in the affected regions, possibly resulting in reduced demand for our services. These developments could impair our business and push down the trading price of our common stock.

Our largest stockholder, together with members of his family, have the ability to significantly influence major corporate actions.

A. Emmet Stephenson, Jr., our Chairman of the Board and co-founder, his wife Toni E. Stephenson, and two trusts controlled by Mr. Stephenson's sister own 60.3% of our outstanding common stock currently. We have announced that Mrs. Stephenson and the trusts are proposing to sell up to 3,680,000 shares of our common stock in an underwritten public offering, following which Mr. and Mrs. Stephenson will beneficially own an aggregate of approximately 38.0% of our outstanding common stock, or 34.6% if the underwriters' over-allotment option is exercised in full. See *"Certain Relationships and Related Transactions."* As a result, Mr. Stephenson and his wife will continue to be our largest stockholders and together may be able to elect our entire Board of Directors and to control substantially all other matters requiring action by our stockholders. Under an agreement to take effect upon consummation of the proposed public offering, so long as Mr. Stephenson, together with members of his family, beneficially owns 30% or more of our outstanding common stock, Mr. Stephenson will be entitled to designate our nominees for one less than a majority of the directors to be elected to our board if our board consists of an odd number of directors, or two less than a majority of the nominees if our board consists of an even number of directors. So long as Mr. Stephenson, together with members of his family, beneficially owns 10% or more but less than 30% of our outstanding common stock, Mr. Stephenson will be entitled to designate one of our nominees for election to the board. In addition, upon consummation of the proposed public offering we will be obligated to amend our bylaws to allow that any holder of 10% or more of our outstanding common stock may call a special meeting of our stockholders. The concentration of voting power in Mr. and Mrs. Stephenson's hands, and the control Mr. Stephenson may exercise over us as our Chairman and as described above, may discourage, delay or prevent a change in control that might otherwise benefit our stockholders.

Our stock price has been volatile and may decline significantly and unexpectedly.

The market price of our common stock has been volatile and could be subject to wide fluctuations in response to quarterly variations in our operating results, our success in implementing our business and growth strategies, announcements of new contracts or contract cancellations, announcements of technological innovations or new products and services by us or our competitors, changes in financial estimates by securities analysts, or other events or factors we cannot currently foresee. Additionally, the stock market has experienced substantial price and volume fluctuations that have affected the market prices of equity securities of many companies, and that have often been unrelated to the operating performance of such companies. These broad market fluctuations may harm the market price of our common stock. Additionally, because our common stock trades at relatively low volume levels, any change in demand for our stock can be expected to substantially influence market prices thereof. The trading price of our stock varied from a low of $21.51 to a high of $42.80 during 2003.

If we fail to pay quarterly dividends to our common stockholders the market price of our shares of common stock could decline.

On February 24, 2004, we paid a cash dividend of $0.38 per share of common stock, or $5.5 million in the aggregate, to our stockholders of record on February 13, 2004. We also declared and paid dividends of $0.37 per share in November 2003 and $0.36 per share in August, 2003. See *"Dividend Policy."*

Our ability to pay quarterly dividends will be at the discretion of our board of directors and will depend on, among other things, availability of funds, future earnings, capital requirements, contractual restrictions, our general financial condition and business conditions generally. The terms of our $10 million line of credit prohibit us from paying dividends in an amount that would cause us to fail to meet our financial covenants. See *"Liquidity and Capital Resources"* above. Any reduction or discontinuation of quarterly dividends could cause the market price of our shares of common stock to decline significantly. In addition, in the event our payment of quarterly dividends is reduced or discontinued, our failure or inability to resume paying dividends at historical levels could result in a persistently low market valuation of our shares of common stock.

Item 7a. *Quantitative and Qualitative Disclosure About Market Risk*

The following discusses our exposure to market risks related to changes in interest rates and other general market risks, equity market prices, and foreign currency exchange rates as of December 31, 2003. All of our investment decisions are supervised or managed by our Chairman of the Board. Our investment portfolio policy, approved by the Board of Directors during 2001, provides for, among other things, 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 *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Factors."*

Interest Rate Sensitivity and Other General Market Risks

Cash and Cash Equivalents. At December 31, 2003, we had $6.0 million in cash and cash equivalents, which consisted of: (i) $5.4 million invested in various money market funds and overnight investments at a combined weighted average interest rate of approximately 0.42%; and (ii) $0.6 million in various non-interest bearing accounts. Cash and cash equivalents are not restricted. We paid cash dividends to stockholders of $0.36 per share in August 2003, $0.37 per share in November 2003, and $0.38 per share in February 2004. We consider 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. We do not expect any substantial loss with respect to our cash and cash equivalents as a result of interest rate changes, and the estimated fair value of our cash and cash equivalents approximates original cost.

Outstanding Debt of the Company. We believe a hypothetical 10.0% increase in interest rates would not have a material adverse effect on us. Increases in interest rates would, however, increase interest expense associated with future variable-rate borrowings by us, if any. For example, we may from time to time effect borrowings under our $10.0 million line of credit for general corporate purposes, including working capital requirements, capital expenditures, and other purposes related to expansion of our capacity. Borrowings under the $10.0 million line of credit bear interest at the lender's prime rate less 1% (3.0% as of December 31, 2003). As of December 31, 2003 we were in compliance with the financial covenants pertaining to the line of credit, and no balance was outstanding under the line of credit. In the past, we have not hedged against interest rate changes.

Investments Available for Sale. At December 31, 2003, we had investments available for sale which, in the aggregate, had a basis and fair market value of $33.6 million and $36.0 million, respectively. At December 31, 2003, investments available for sale generally consisted of investment-grade and non investment-grade corporate bonds, convertible bonds, mutual funds, common stock and option contracts purchased. Our investment portfolio is subject to interest and inflation rate risks and will fall in value if market interest and/or inflation rates or market expectations relating to these rates increase.

A substantial decline in values of equity securities and equity prices in general would have a material adverse effect on our equity investments. Also, prices of common stocks we hold could generally be expected to be adversely affected by increasing inflation or interest rates or market expectations thereon, poor management, shrinking product demand, and other risks that may affect single companies or groups of companies, as well as adverse economic conditions generally. We have partially hedged against some equity price changes.

Fair market value of and estimated cash flows from our investments in corporate bonds are substantially dependent upon credit worthiness of certain corporations expected to repay their debts to us. If such corporations' financial condition and liquidity adversely changes, our investments in these bonds can be expected to be materially and adversely affected.

The table below provides information as of December 31, 2003 about maturity dates and corresponding weighted average interest rates related to certain of our investments available for sale:

	Weighted Average Interest Rates	Expected Maturity Date -Basis-							
		1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter	Total	Fair Value
					(Dollars in thousands)				
Corporate bonds	6.34%	$5,036						$ 5,036	$ 5,175
Corporate bonds	7.35%		$9,287					$ 9,287	$ 9,538
Corporate bonds	8.15%			$2,394				$ 2,394	$ 2,435
Corporate bonds	8.21%				$4,424			$ 4,424	$ 5,293
Total	7.38%	$5,036	$9,287	$2,394	$4,424	$ —	$ —	$21,141	$ 22,441

Management believes we have the ability to hold the foregoing investments until maturity, and therefore, if held to maturity, we 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 our interest income derived from future investments.

Trading Securities. We were invested in trading securities which, in the aggregate, had an original cost and fair market value at December 31, 2003 of $4.0 million and $5.9 million, respectively. At December 31, 2003, trading securities generally consisted of alternative investment partnerships and option contracts sold. Trading securities were held to meet short-term investment objectives. As part of trading securities, we may write option contracts on equity securities. Our exposure relating to call options we write on securities we do not hold in our investment portfolio increases as the value of the underlying security increases, and therefore is technically unlimited. As of December 31, 2003, we had sold call options for a total of 33,000 shares of US equity securities, and sold put options for a total of 44,500 shares of US equity securities. These options expired between January 17, 2004 and February 21, 2004.

We do not consider the risk of loss regarding our current investments in the event of nonperformance by any party to be substantial. Due to the potential limited liquidity of some of these instruments, the most recently traded price may be different from values that might be realized if we were to sell or close out the transactions. Management does not believe such differences are substantial to our 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 our 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 effect on our 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 or groups of companies, as well as adverse economic conditions generally.

Foreign Currency Exchange Risks

A total of 2.5% of our revenue for the year ended December 31, 2003 was derived from our United Kingdom operations and principally denominated in British pounds and Euros. A total of 29.5% of our expenses for the year ended December 31, 2003 were paid in currencies other than US dollars of which 25.6% were paid in Canadian dollars and 3.9% were paid in British pounds and Euros. Our US and Canadian operations generate revenues denominated in US dollars. If an arrangement provides for us to receive payments in a foreign currency, revenue realized from such an arrangement may be lower if the value of such foreign currency declines. Similarly, if an arrangement provides for us to make payments in a foreign currency, cost of services and operating expenses for such an arrangement may be higher 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 our previously expected revenue, cost of services, and operating expenses. If the international portion of our business continues to grow, more revenue and expenses will be denominated in foreign currencies, which increases our exposure to fluctuations in currency exchange rates. In the past, we have not hedged against foreign currency exchange rate changes related to our international operations. Because our results of operations have been impacted by fluctuations in the Canadian dollar, in March 2004 we began to hedge a portion of our exposure to such fluctuations, and we intend to closely monitor our hedging policy to be consistent with our future growth strategy.

Inflation and General Economic Conditions

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

Item 8. *Financial Statement and Supplementary Financial Data*

Consolidated financial statements and supplementary data required by Item 8. are set forth herein at the pages indicated in Item 15(a).

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

Not applicable.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures. Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective and are reasonably designed to ensure that all material information relating to us required to be included in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Internal Control Over Financial Reporting. There have not been any changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange

Act during the fiscal quarter to which this report relates that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal controls will prevent all possible error or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

The following table sets forth information with respect to our executive officers and directors as of March 8, 2004.

Name	Age	Position
A. Emmet Stephenson, Jr.	58	Chairman of the Board(a)(c)
William E. Meade, Jr.	47	President, Chief Executive Officer and Director
Eugene L. McKenzie, Jr.	45	Executive Vice President, Chief Financial Officer, Secretary and Treasurer
Lawrence Zingale	48	Executive Vice President and Chief Operating Officer
Michael W. Morgan	43	Vice Chairman of the Board
Ed Zschau	64	Director(a)(b)(c)
Hank Brown	64	Director(a)(b)(c)
Michael S. Shannon	45	Director(a)(b)(c)

(a) Member of the Compensation and Option Committee of the Board of Directors

(b) Member of the Audit Committee of the Board of Directors

(c) Member of the Governance and Nominating Committee

A. Emmet Stephenson, Jr. co-founded us in 1987 and has served as our Chairman of the Board since our formation. Mr. Stephenson has also served as President of Stephenson and Company, a private investment firm in Denver, Colorado, for more than five years. Mr. Stephenson is a director of Danaher Corporation and serves on the Advisory Boards of First Berkshire Fund and Capital Resource Partners, L.P.

William E. Meade, Jr. has served as our President and Chief Executive Officer since June 2001. Prior to joining us, Mr. Meade was President and Chief Executive Officer of WebMiles, Inc. From 1987 to 1999 he was with the American Express Company. He finished his service there as Senior Vice-President of

Business Development and Global Operations for the American Express Travelers Cheque Group. He also serves as one of our Directors.

Eugene L. McKenzie, Jr. has served as our Executive Vice President and Chief Financial Officer since November 2003 and prior to that served as our Vice President and Corporate Controller since June 2002. Before joining us, Mr. McKenzie served as Director of Finance and Information Technology for a division of International Paper Company. From 1996 to 1999, he ran his own business. From 1990 to 1996, he worked for Atlantic Richfield Co. and from 1980 to 1990 he worked for Ernst & Young LLP. Mr. McKenzie is a certified public accountant.

Lawrence Zingale has served as our Executive Vice President and Chief Operating Officer since June 2002. Prior to joining us, Mr. Zingale was President of Stonehenge Telecom for approximately three years, and from 1997 to 1999 he was President and Chief Operating Officer of International Community Marketing. From 1980 to 1997, he was with AT&T, serving in various senior level positions.

Michael W. Morgan co-founded us in 1987 and has held managerial positions in companies providing outsourced services since 1984. From May 1990 to June 2001, he was our President and Chief Executive Officer. He has served as our Vice Chairman of the Board since June 2001 and as a Director since January 1997. Mr. Morgan has advised us that he does not intend to stand for re-election as a Director in May 2004 for personal reasons.

Ed Zschau has served as a Director of the Company since January 1997. He is Visiting Lecturer at Princeton University in the Department of Electrical Engineering and was a Professor of Management at Harvard Business School from September 1996 to August 2000. From April 1993 to July 1995, Dr. Zschau was General Manager, IBM Corporation Storage Systems Division. Dr. Zschau is a director of the Reader's Digest Association, Inc.

Hank Brown has served as a Director of the Company since May 2001. He is President and Chief Executive Officer of the Daniels Fund. Mr. Brown was previously a United States Senator from 1990 to 1996 and served in the United States Congress for five consecutive terms from 1980 through 1990. He also served in the Colorado State Senate from 1972 through 1976. Mr. Brown is currently a Director of Sealed Air Corp., Alaris Medical Inc., Frontier Airlines, Inc. and Sensient Technologies Corporation. He was a Vice President of Monfort of Colorado for 12 years.

Michael S. Shannon has served as a Director of the Company since May 2003. He has served as President and Chief Executive Officer of KSL Recreation Corporation based in La Quinta, California since 1992. From 1986 to 1992, Mr. Shannon was President and Chief Executive Officer of Vail Associates in Vail, Colorado. Prior to that, he was an Assistant Vice President of First National Bank of Chicago. Mr. Shannon currently serves as a director of ING Direct and Conseco, Inc.

Board Committees

Our Board of Directors has an Audit Committee, a Compensation and Option Committee, and a Governance and Nominating Committee. The Audit Committee is responsible for the selection and retention of our independent auditors, reviews the scope of the audit function of the independent auditors, and reviews audit reports rendered by the independent auditors. The members of the Audit Committee are all "independent directors" as defined in Section 303A.02 of the NYSE's listing standards. Our Board of Directors has determined that each member of the Audit Committee qualifies as an "audit committee financial expert" under SEC rules.

The Compensation and Option Committee reviews our compensation philosophy and programs, and exercises authority with respect to payment of direct salaries and incentive compensation to our officers. In addition, the committee is responsible for oversight of the StarTek, Inc. Stock Option Plan. Three of the four members of the Compensation and Option Committee are "independent directors" as defined in Section 303A.02 of the NYSE's listing standards.

In February 2004 our Board of Directors created, and appointed four members to, the Governance and Nominating Committee, for which the Board intends to adopt a written charter. This committee is responsible for the nomination of candidates for election to our Board, including identification of suitable candidates, and also oversees our corporate governance principles. Three of the four members of the Governance and Nominating Committee are “independent directors” as defined in Section 303A.02 of the NYSE’s listing standards.

Notwithstanding the Governance and Nominating Committee, certain of our nominees to our Board of Directors may be named in the future by our controlling stockholders, pursuant to the terms of the Investor Rights Agreement described below under *“Certain Relationships and Related Transactions.”*

New NYSE listing standards require that NYSE-listed companies have compensation and nominating committees made up exclusively of “independent directors” as defined by the NYSE. Prior to completion of the proposed underwritten offering of shares of our common stock by certain of our stockholders, as described elsewhere in this Form 10-K, we are a “controlled company” under NYSE listing standards and accordingly are exempt from these requirements. Following completion of the proposed underwritten offering, we will no longer be eligible for the “controlled company” exemptions, and we will be required to meet the new listing standards in accordance with transition rules adopted by the NYSE. See *“Certain Relationships and Related Transactions.”* Once a controlled company ceases to be controlled, it is required to have at least one independent director on its nominating and compensation committees as of the date it ceases to be controlled; a majority of independent directors on those committees within 90 days after it ceases to be controlled; and fully independent nominating and compensation committees within one year after it ceases to be controlled. We intend to comply with these requirements.

Employment Agreements

In May 2001, we entered into an employment agreement with William E. Meade, Jr., pursuant to which he agreed to serve as our President and Chief Executive Officer. The agreement provides for a term through May 18, 2006, unless otherwise extended by mutual agreement or unless employment is terminated at an earlier date in accordance with the agreement. The agreement provides for an annual base salary (currently $420,000), which is subject to increase as determined by the Compensation and Option Committee annually. Pursuant to the agreement, Mr. Meade was also granted options to purchase 200,000 shares of our common stock, of which 15,000 have been exercised, 65,000 are fully vested and the remaining 120,000 vest at 40,000 per year in May 2004, 2005, and 2006. The agreement and Mr. Meade’s employment with the Company may be terminated by us or Mr. Meade at any time for any reason upon 90 days’ prior written notice. Upon termination by either party other than for cause or death, Mr. Meade will be entitled to payment of his base salary then in effect for one year from the date of termination. The agreement provides for non-disclosure of our confidential or proprietary information and non-competition by Mr. Meade for a one-year period after termination of the agreement. The agreement also provides for non-solicitation by Mr. Meade of our employees, suppliers and customers for a three-year period after termination of the agreement.

In January 2001, we entered into an employment agreement with Michael W. Morgan, our Vice Chairman of the Board, pursuant to which he agreed to provide services to us as requested by the Board of Directors. The agreement provides for a term through July 15, 2004, unless otherwise extended by mutual agreement or unless employment is terminated at an earlier date in accordance with the agreement. Mr. Morgan has advised us that he does not intend to extend the term of the agreement. The agreement provides for an annual base salary (currently $270,800) and provides for non-disclosure of our confidential or proprietary information.

In 1997, we entered into a verbal agreement with Mr. Stephenson under which Mr. Stephenson provides us with advisory services and his services as our Chairman. Mr. Stephenson is entitled to an advisory fee under this agreement of $245,000 per year.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our directors and executive officers and beneficial owners of more than 10% of our outstanding common stock (collectively, "Insiders") to file reports with the SEC disclosing direct and indirect ownership of our common stock and changes in such ownership. The rules of the SEC require Insiders to provide us with copies of all Section 16(a) reports filed with the SEC. Based solely upon a review of copies of Section 16(a) reports received by us, and written representations that no additional reports were required to be filed with the SEC, we believe Insiders have complied with all Section 16(a) filing requirements applicable since January 1, 2003.

Code of Ethics

We have adopted a Corporate Code of Ethics and Business Conduct that applies to all of our employees, including our principal executive officer, principal financial officer, and principal accounting officer. The Corporate Code of Ethics and Business Conduct is available on the investor relations page of our web site at *www.startek.com.* We intend to disclose on our web site any amendments to or waivers of the code applicable to our principal executive officer, principal financial officer, chief accounting officer, controller and treasurer and other persons performing similar functions within five business days following the date of such amendment or waiver.

Item 11. *Executive Compensation*

The following table sets forth certain information concerning 2001, 2002, and 2003 compensation of our Chief Executive Officer and executive officers who, in addition to the Chief Executive Officer, received the highest compensation during 2001, 2002, and 2003.

Summary Compensation Table

		Annual Compensation(a)		Long-Term Compensation Awards	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Securities Underlying Option (#)	All Other Compensation ($)
William E. Meade, Jr.	2003	411,539	2,396	—	—
President, CEO and Director	2002	400,000	—	—	73,702(b)
	2001	238,462	—	200,000	—
A. Emmet Stephenson, Jr.	2003	—	—	—	245,000(c)
Chairman of the Board	2002	—	—	—	245,000(c)
	2001	—	—	—	245,000(c)
Eugene L. McKenzie, Jr.(d)	2003	139,287	—	35,000	—
Executive VP, CFO, Secretary and Treasurer					
Michael W. Morgan	2003	270,800	—	—	—
Vice Chairman of the Board	2002	270,800	—	—	—
	2001	324,965	—	100,000	—
Lawrence Zingale	2003	317,500	—	—	21,710(e)
Executive VP and CEO	2002	166,923	25,000	100,000	2,232(b)
	2001	—	—	—	—
David I. Rosenthal	2003	179,495	—	—	—
Former Executive VP, CFO,	2002	179,615	—	—	—
Secretary and Treasurer	2001	57,212	—	45,000	—

(a) We did not provide perquisites or other personal benefits, securities, or property to the named executive officers which exceeded $50,000 or 10% of such officer's total salary, bonus or other compensation for 2001, 2002, and 2003.

(b) Reimbursement of relocation expenses.

(c) Effective January 1, 1997, we began paying an annual advisory fee of $245,000 to A. Emmet Stephenson, Jr., Inc.

(d) Mr. McKenzie was our Controller from June 2002 to November 2003, when he was named Executive VP, CFO, Secretary and Treasurer.

(e) Reimbursement of relocation expenses of $5,260 and payment of disability insurance premiums of $16,450.

Option Grants in Last Fiscal Year

The following table sets forth certain information relating to options granted in 2003 to named executive officers to purchase shares of our common stock under the StarTek Inc. Stock Option Plan.

Name	No. of Securities Underlying Options/SARs Granted(#)	% of Total Options Granted to Employee In Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date	Potential Realizable value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5%($)	10%($)
Eugene L. McKenzie, Jr.	35,000(a)	27.3%	$34.41	11/3/13	757,409	1,919,424

(a) These options will vest 20% per year for a five year period commencing on the date of grant.

The dollar amounts set forth under the Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term are the result of calculations of assumed annual rates of stock price appreciation from the date of grant to the date of expiration of such options of 5% and 10%. These assumptions are not intended to forecast future price appreciation of our stock price. Our stock price may increase or decrease in value over the time period set forth above.

Option Exercises in Last Fiscal Year

The following table provides information related to options exercised by our named executive officers during fiscal 2003 and unexercised options held by them at December 31, 2003.

Name	Shares Acquired on Exercise(#)	Value Realized($)	Number of Securities Underlying Unexercised Options at Fiscal Year End(#)		Value of Unexercised In-the-Money Options at Fiscal Year End($)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
A. Emmet Stephenson, Jr.	—	—	—	—	—	—
William E. Meade, Jr.	15,000	570,667	65,000	120,000	1,533,350	2,830,800
Eugene L. McKenzie, Jr.	—	—	2,000	43,000	29,240	340,260
Lawrence Zingale	—	—	20,000	80,000	289,800	1,159,200
David I. Rosenthal	4,500	163,839	13,500	27,000	209,655	419,310

(1) The closing price of our common stock as reported by the New York Stock Exchange on December 31, 2003 was $40.79.

Compensation of Directors

Pursuant to our Director Option Plan, each non-employee director will be automatically granted options to acquire 3,000 shares of our common stock at an exercise price equal to market value of the common stock on the date of each annual meeting of stockholders at which such director is re-elected. Such options are immediately vested and exercisable. The Directors' Option Plan is administered by our Board of Directors.

Compensation Committee Interlocks and Insider Participation

A. Emmet Stephenson, Jr. serves as a director, Chairman of the Board, and a member of our Compensation and Option Committee. Except for Mr. Stephenson, none of our officers or employees participate in deliberations of the Compensation and Option Committee. The Compensation and Option Committee makes salary decisions with input from the Chief Executive Officer; however, the Chief Executive Officer does not participate in deliberations regarding his own compensation. See the Summary Compensation Table set forth above for advisory fees paid to A. Emmet Stephenson, Jr., Inc.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The table below presents information as of March 5, 2004 regarding the beneficial ownership of shares of our common stock by:

• Each of our directors and executive officers;

• Each person we know to have beneficially owned more than five percent of our common stock as of that date; and

• All of our present executive officers and directors as a group.

	Beneficial Ownership of Shares	
Name of Stockholder	Number of Shares(1)	Percentage
Toni E. Stephenson(2)(3)	3,313,882(4)	23.1%
FASSET Trust(2)(5)	993,462(4)	6.9%
MASSET Trust(2)(5)	993,462(4)	6.9%
A. Emmet Stephenson, Jr.(2)(6)	3,350,882	23.3%
William E. Meade, Jr.(2)(7)	65,000	*
Eugene L. McKenzie, Jr.(2)(8)	2,000	*
Lawrence Zingale(2)(9)	20,000	*
Pamela S. Oliver(2)(10)	1,986,924	13.8%
Michael W. Morgan(2)(11)	119,243	*
Ed Zschau(12)	38,000	*
Hank Brown(13)	7,500	*
Michael S. Shannon(14)	19,000	*
Awad Asset Management(15)	779,279	5.4%
All Directors and Executive Officers as a group (8 persons)(16)	3,621,625	24.9%

* Less than one percent.

(1) Calculated pursuant to Rule 13d-3(d) of the Exchange Act. Under Rule 13d-3(d), shares not outstanding that are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by such person, but are not deemed outstanding for the purpose of calculating the percentage owned by each other person listed. Accordingly, share ownership in each case includes shares issuable upon exercise of outstanding options that are exercisable within 60 days after March 5, 2004. Unless otherwise indicated in the footnotes, and subject to community property laws where applicable, each of the named persons has sole voting and investment power with respect to the shares shown as beneficially owned.

(2) The address of such person, trust or trustee is c/o StarTek, Inc., 100 Garfield Street, Denver, Colorado 80206.

(3) Mrs. Stephenson is the wife of A. Emmet Stephenson, Jr. Mr. Stephenson is our co-founder and Chairman of our Board of Directors. Mr. Stephenson disclaims beneficial ownership of shares owned by Mrs. Stephenson. For a description of certain agreements with us to which Mrs. Stephenson is a party, see *"Description of Capital Stock — Registration Rights Agreement."*

(4) We have filed a registration statement relating to a proposed underwritten offering by Mrs. Stephenson and the MASSET and FASSET Trusts of up to 3,200,000 shares of our common stock. Mrs. Stephenson has granted the underwriters the option to purchase an additional 480,000 shares of common stock to cover over-allotments. If the offering is completed, we anticipate MASSET Trust and FASSET Trust will own none of our common stock and Mrs. Stephenson will own 2,100,806 shares of our common stock, or 1,620,206 if the underwriters' over-allotment option is fully exercised.

(5) Pamela S. Oliver is the sole trustee of MASSET Trust and FASSET Trust and has sole voting power and investment power with respect to the common stock held by the trusts. Mrs. Oliver is Mr. Stephenson's sister.

(6) Mr. Stephenson is our co-founder and Chairman of our Board. Mr. Stephenson is the husband of Toni E. Stephenson and the brother of Pamela S. Oliver. Mrs. Stephenson disclaims beneficial ownership of shares owned by Mr. Stephenson. For a description of certain agreements with us to which Mr. Stephenson is a party, see *"Description of Capital Stock — Registration Rights Agreement."*

(7) Mr. Meade is our President and Chief Executive Officer. Includes 65,000 shares of common stock underlying vested stock options, and excludes 120,000 shares of common stock underlying unvested options held by Mr. Meade.

(8) Mr. McKenzie is our Executive Vice President, Chief Financial Officer, Treasurer and Secretary. Includes 2,000 shares of common stock underlying vested stock options, and excludes 43,000 shares of common stock underlying unvested options held by Mr. McKenzie.

(9) Mr. Zingale is our Executive Vice President and Chief Operating Officer. Includes 20,000 shares of common stock underlying vested stock options, and excludes 90,000 shares of common stock underlying unvested options held by Mr. Zingale.

(10) Represents shares owned by the FASSET and MASSET Trusts. Mrs. Oliver is the sole trustee of each of the trusts and has sole voting power and investment power with respect to the common stock held by the trusts. Mrs. Oliver is Mr. Stephenson's sister.

(11) Mr. Morgan is our co-founder and Vice Chairman of our Board. Mr. Morgan owns 59,243 shares of common stock. Includes 60,000 shares of common stock underlying vested stock options, and excludes 40,000 shares of common stock underlying unvested options held by Mr. Morgan.

(12) Dr. Zschau is one of our Directors. The Zschau Living Trust owns 10,000 shares of common stock. Includes 28,000 shares of common stock underlying vested stock options. Dr. Zschau's business address is Ed Zschau Enterprises, 1310 Trinity Drive, Menlo Park, California 94025.

(13) Mr. Brown is one of our Directors. Mr. Brown owns 1,500 shares of common stock. Includes 6,000 shares of common stock underlying vested stock options. Mr. Brown's business address is c/o Daniels Fund, 101 Monroe Street, Denver, CO 80206.

(14) Mr. Shannon is one of our Directors. Mr. Shannon owns 9,000 shares of common stock. Includes 10,000 shares of common stock underlying vested stock options. Mr. Shannon's business address is KSL Recreation Corporation, 50-905 Avenida Bermudas, La Quinta, CA 92253.

(15) Awad Asset Management, Inc.'s address is 250 Park Avenue, 2nd Floor, New York, New York 10177. The information regarding Awad Asset Management, Inc. is as reported by Awad Asset Management, Inc. to the Securities and Exchange Commission on Schedule 13G/ A filed on January 27, 2004.

(16) Includes an aggregate of 191,000 shares of common stock underlying vested stock options held by our directors and executive officers.

Equity Compensation Plans

The following table summarizes information as of December 31, 2003 about our stock option plans for employees and non-employee directors. We do not offer any other equity compensation plans.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights	(c) Number of Securities Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders	1,083,860	22.09	68,700
Equity compensation plans not approved by stockholders	—	—	—
Total	1,083,860	22.09	68,700

Item 13. ***Certain Relationships and Related Transactions***

Resale Registration Statement

In February 2004, we filed a registration statement relating to a proposed underwritten offering by Toni E. Stephenson and the MASSET and FASSET Trusts of up to 3,200,000 shares of our common stock. Mrs. Stephenson has granted the underwriters the option to purchase an additional 480,000 shares of common stock to cover over-allotments. The selling stockholders will pay all of the expenses of such registration.

Registration Rights Agreement

We have entered into a registration rights agreement with Mr. Stephenson, Mrs. Stephenson, and the MASSET and FASSET Trusts, that takes effect upon the consummation of the proposed underwritten offering described above and terminates on the earlier of (i) the fifth anniversary of the consummation of such offering and (ii) when the number of shares registrable for resale under the agreement constitutes less than 10% of our common stock outstanding. Mr. Stephenson owns 3,350,882 shares, or 23.3%, of our common stock outstanding. Following the proposed underwritten offering Mrs. Stephenson will own 2,100,806 shares, or 14.6% (or 1,620,806 shares, or 11.3%, if the underwriters exercise their overallotment option in full) of our common stock outstanding. Under the registration rights agreement, the holders of one-third or more of the registrable shares as defined in the registration rights agreement may demand that we file a registration statement under the Securities Act covering some or all of their registrable shares. We are obligated to file no more than two such demand registration statements (unless the number of shares requested to be included in a demand registration has been reduced by more than 15% by an underwriter), and we are not obligated to file a registration statement pursuant to such a demand prior to the later of six months after the execution date of the agreement or ninety days after the date of the proposed underwritten offering described above. The filing of a demand registration statement may be subject to further delay upon the occurrence of other specified events. In addition to these demand registration rights, if we propose to register any of our equity securities under the Securities Act, other than pursuant to registration statements on Forms S-4 or S-8, the holders of registrable securities may require that we include all or a portion of their registrable securities in the registration statement and in any related underwriting. In an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of registrable securities included in the offering. Registration of shares of our common stock pursuant to the rights granted to the holders of registrable securities pursuant to the registration rights agreement, and subsequent sale of such shares under the registration statement, will result in such shares becoming freely tradable without restriction under the Securities Act. In connection with demand registrations, we will bear the expenses related to such registrations to the extent we would be required to incur such expenses within 12 months or obtain substantial benefit from complying with the demand. We will bear the expenses related to registrations we file in which the selling stockholders include registrable securities, except that the selling stockholders will bear their pro-rata portion of the underwriting discounts and commissions applicable to any such registration. The selling stockholders will bear all other fees, costs and expenses of registrations under the registration rights agreement, including underwriting discounts and commissions.

The agreement also provides that, upon the occurrence of a change of control of us by merger, share exchange, stock sale or tender offer, or in the event members of the Stephenson family sell in the aggregate 15% or more of our outstanding common stock in any two year period (subject to certain conditions) no member of the Stephenson family will accept a premium for their shares in such transactions without providing an opportunity to all our other stockholders to sell their shares (or at least the same proportionate interest as the Stephenson family proposes to sell) at the same price; provided that the Stephenson family will be free to sell shares at any time in sales registered under the Securities Act, so long as the applicable members of the Stephenson family are named as selling stockholders in the related prospectus, or in Rule 144 transactions, without restriction under this provision.

Investor Rights Agreement

We have entered into an investor rights agreement with Mr. Stephenson that takes effect upon the consummation of the proposed underwritten offering described above and terminates if Mr. Stephenson ceases to beneficially own at least 10% of our common stock. The agreement provides that following our 2004 annual meeting of stockholders and subject to the board's fiduciary duties under applicable law, we will nominate for election to our board of directors designees named by Mr. Stephenson representing (i) a number of directors equal to one less than a majority of the board if there are an odd number of directors, or two less than a majority if there are an even number of directors, so long as Mr. Stephenson, together with members of his family, beneficially owns 30% or more of our outstanding common stock, or (ii) one director, so long as Mr. Stephenson, together with members of his family, beneficially owns between 10% and 30% of our outstanding common stock. Mr. Stephenson's nominees under these provisions need not be independent or meet other specific criteria, so long as a majority of the members of our board are independent under the rules of the SEC and the New York Stock Exchange. The agreement also requires that we amend Article II, Section 6 of our Bylaws to provide that a holder of 10% or more of our outstanding common stock will be entitled to call a special stockholders meeting. The investor rights agreement provides that so long as Mr. Stephenson, together with members of his family, beneficially owns 10% or more of our outstanding common stock, Article II, Section 6 of the Bylaws, as amended, may not be amended by our board of directors without Mr. Stephenson's consent.

The rights provided to Mr. Stephenson in the investor rights agreement may not be transferred to any third party other than to Toni E. Stephenson, Mr. Stephenson's wife, upon the death or incompetence of Mr. Stephenson and to her estate, upon the subsequent death or incompetence of Mrs. Stephenson. Mr. Stephenson does not have the right to vote shares of stock held by other members of the Stephenson family.

Item 14. ***Principal Accountant Fees and Services***

Fees

The aggregate fees for professional services rendered to us by Ernst & Young LLP for the year ended December 31, 2003, were as follows:

Audit Fees. During the years ended December 31, 2003 and 2002, we paid $197,050 and $178,500, respectively, to Ernst & Young LLP for audit services.

Audit-Related Fees. During the years ended December 31, 2003 and 2002, we paid $6,400 and $8,500, respectively, for audit-related services. Audit-related services included assistance in the assessment of the impact of Section 404 of the Sarbanes-Oxley Act of 2002 on us and compliance reports issued in connection with requirements of statutory governments.

Tax Fees. During the years ended December, 31, 2003, and 2002 we paid $1,650 and $46,000, respectively, to Ernst & Young LLP for tax services. Tax services included fees for tax compliance and consulting services related to our annual federal and state tax returns.

All Other Fees. During the years ended December, 31, 2003 and 2002, we paid $0 and $5,000, respectively, to Ernst & Young LLP for real estate advisory services.

In accordance with our Audit Committee Charter, the Audit Committee approves in advance any and all audit services, including audit engagement fees and terms, and non-audit services provided to us by our independent auditors (subject to the de minimus exception for non-audit services contained in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, as amended), all as required by applicable law or listing standards. The independent auditors and our management are required to periodically report to the Audit Committee the extent of services provided by the independent auditors and the fees associated with these services.

PART IV

Item 15. *Exhibits, Financial Statement Schedules, and Reports on Form 8-K*

(a) *Document List*

1. *Financial Statements* Response to this portion of Item 15. is submitted per the Index to Financial Statements, Supplementary Data, and Financial Statement Schedules on page 42 of this Form 10-K.

2. *Supplementary Data and Financial Statement Schedules* Response to this portion of Item 15. is submitted per the Index to Financial Statements, Supplementary Data, and Financial Statement Schedules on page 42 of this Form 10-K.

3. An *Index of Exhibits* follows the signature pages of this Form 10-K.

(b) *Reports on Form 8-K.*

On November 7, 2003, we filed a Form 8-K reporting items 5, 7, and 12.

(c) The *Exhibit Index* lists the exhibits filed with this report.

STARTEK, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA AND

FINANCIAL STATEMENT SCHEDULES

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, 2003 and 2002, and the related consolidated statements of operations, cash flows and stockholders’ equity for each of the three years in the period ended December 31, 2003. 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, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

Denver, Colorado

February 24, 2004

STARTEK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2002	December 31, 2003
	(Dollars in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,143	$ 5,955
Investments	44,022	41,812
Trade accounts receivable, less allowance for doubtful accounts of $816 and $790 in 2002 and 2003, respectively	37,232	43,388
Inventories	1,463	1,720
Income tax receivable	335	805
Deferred tax assets	4,300	2,250
Prepaid expenses and other assets	958	907
Total current assets	101,453	96,837
Property, plant and equipment, net	38,797	54,563
Long-term deferred tax assets	110	1,743
Other assets	61	464
Total assets	$ 140,421	$ 153,607
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 11,156	$ 8,917
Accrued liabilities	7,235	10,310
Current portion of long-term debt	2,221	26
Other	462	358
Total current liabilities	21,074	19,611
Long-term debt, less current portion	4,261	78
Other	492	918
Stockholders' equity:		
Common stock, 32,000,000 shares, $0.01 par value, authorized; 14,192,581 and 14,351,011 shares issued and outstanding, respectively	142	144
Additional paid-in capital	50,060	53,917
Cumulative translation adjustment	(123)	446
Unrealized gain (loss) on investments available for sale	(738)	1,462
Retained earnings	65,253	77,031
Total stockholders' equity	114,594	133,000
Total liabilities and stockholders' equity	$ 140,421	$ 153,607

See notes to consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2001	2002	2003
	(Dollars in thousands, except per share data)		
Revenue	$ 182,576	$ 207,864	$ 231,189
Cost of services	137,622	157,005	171,401
Gross profit	44,954	50,859	59,788
Selling, general and administrative expenses	25,938	22,562	28,489
Operating profit	19,016	28,297	31,299
Net interest income and other	4,318	1,986	4,048
Loss on impaired investments	(15,452)	(6,210)	—
Income before income taxes	7,882	24,073	35,347
Income tax expense	3,011	8,907	13,149
Net income (A)	$ 4,871	$ 15,166	$ 22,198
Weighted average shares of common stock (B)	14,053,484	14,140,765	14,243,273
Dilutive effect of stock options	114,560	244,624	379,793
Common stock and common stock equivalents (C)	14,168,044	14,385,389	14,623,066
Earnings per share:			
Basic (A/ B)	$ 0.35	$ 1.07	$ 1.56
Diluted (A/ C)	$ 0.34	$ 1.05	$ 1.52

See notes to consolidated financial statements.

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STARTEK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2001	2002	2003
	(Dollars in thousands)		
Operating Activities			
Net income	$ 4,871	$ 15,166	$ 22,198
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6,898	9,220	10,045
Deferred income taxes	(4,497)	1,399	(1,218)
Loss (gain) on sale of assets	1	2	(30)
Loss on investment impairments	15,452	6,210	—
Changes in operating assets and liabilities:			
Sales of trading securities, net	6,334	1,085	1,537
Trade accounts receivable, net	(5,786)	(11,047)	(6,156)
Inventories	(668)	1,151	(257)
Prepaid expenses and other assets	(548)	305	(352)
Accounts payable	3,603	(822)	(2,239)
Income taxes payable	(746)	(2,149)	482
Accrued and other liabilities	954	621	3,397
Net cash provided by operating activities	25,868	21,141	27,407
Investing Activities			
Purchases of investments available for sale	(56,966)	(45,337)	(45,054)
Proceeds from disposition of investments available for sale	41,509	32,214	49,226
Purchases of property, plant and equipment	(19,016)	(5,877)	(23,867)
Proceeds from disposition of property, plant and equipment	8	38	131
Net cash used in investing activities	(34,465)	(18,962)	(19,564)
Financing Activities			
Stock options exercised	738	1,681	2,907
Principal payments on borrowings, net	(12,460)	(5,420)	(7,368)
Proceeds from borrowings and capital lease obligations	12,850	—	—
Dividends on common stock	—	—	(10,420)
Net cash used in financing activities	1,128	(3,739)	(14,881)
Effect of exchange rate changes on cash	(792)	421	(150)
Net decrease in cash and cash equivalents	(8,261)	(1,139)	(7,188)
Cash and cash equivalents at beginning of year	22,543	14,282	13,143
Cash and cash equivalents at end of year	$ 14,282	$ 13,143	$ 5,955
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest	$ 355	$ 419	$ 283
Income taxes paid	$ 8,318	$ 9,394	$ 13,792
Property plant and equipment acquired or refinanced under long-term debt	$ 7,049	—	—
Change in unrealized loss on investments available for sale, net of tax	$ (1,695)	$ 1,452	$ 2,200

See notes to consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
			(Dollars in thousands)			
Balance, December 31, 2000	14,033,221	$ 140	$47,095	$ 45,216	$ (487)	$ 91,964
Stock options exercised	49,340	1	737	—	—	738
Income tax benefit from stock options exercised	—	—	170	—	—	170
Net income	—	—	—	4,871	—	4,871
Cumulative translation adjustment	—	—	—	—	(439)	(439)
Unrealized loss on investments available for sale	—	—	—	—	(1,695)	(1,695)
Comprehensive income	—	—	—	—	—	2,737
Balance, December 31, 2001	14,082,561	$ 141	$48,002	$ 50,087	$ (2,621)	$ 95,609
Stock options exercised	110,020	1	1,680	—	—	1,681
Income tax benefit from stock options exercised	—	—	378	—	—	378
Net income	—	—	—	15,166	—	15,166
Cumulative translation adjustment	—	—	—	—	308	308
Unrealized gain on investments available for sale	—	—	—	—	1,452	1,452
Comprehensive income	—	—	—	—	—	16,926
Balance, December 31, 2002	14,192,581	$ 142	$50,060	$ 65,253	$ (861)	$ 114,594
Stock options exercised	158,430	2	2,905	—	—	2,907
Income tax benefit from stock options exercised	—	—	952	—	—	952
Dividends paid	—	—	—	(10,420)	—	(10,420)
Net income	—	—	—	22,198	—	22,198
Cumulative translation adjustment	—	—	—	—	569	569
Unrealized gain on investments available for sale	—	—	—	—	2,200	2,200
Comprehensive income	—	—	—	—	—	24,967
Balance, December 31, 2003	14,351,011	$ 144	$53,917	$ 77,031	$ 1,908	$ 133,000

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 business process outsourced 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. In 2001, the Company formed StarTek Canada Services, Ltd. a Nova Scotia, Canada corporation, which is a wholly-owned subsidiary 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 leading provider of business process outsourced services, which consist of business process management and supply chain management services. The Company's business process management services include provisioning management, wireless telephone number porting, receivables management, wireless telephone activations, and high-end technical support and customer care services. Supply chain management services include packaging, fulfillment, marketing support and logistics services. As an outsourcer of process management services as its core business, StarTek allows its clients to focus on their primary business, reduce overhead, replace fixed costs with variable costs, and reduce working capital needs. The Company has continuously expanded its process management business and facilities to offer additional outsourcing services in response to growing needs of its clients and to capitalize on market opportunities. The Company has facilities in North America, the United Kingdom, and through 2001, in Singapore. The facility in Singapore closed on January 31, 2002.

Foreign Currency Translation

Assets and liabilities of the Company's foreign operations are translated into US dollars at current exchange rates. Revenues and expenses are translated at average monthly exchange rates. Resulting translation adjustments, net of applicable deferred income taxes (2002 — $(73); 2003 — $264) 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 $2,737, $16,926, and $24,967 for 2001, 2002 and 2003, 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.

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The below table shows the roll forward of the Company's allowances for doubtful accounts and inventory reserves.

	December 31,		
	2001	2002	2003
Allowance for Doubtful Accounts			
Balance at beginning of year	$ 672	$ 789	$816
Additions/recoveries	312	29	20
Write offs	(195)	(2)	(46)
Balance at end of year	$ 789	$ 816	$790
Inventory Reserve			
Balance at beginning of year	$ 437	$ 530	$467
Additions	178	238	181
Write offs	(85)	(301)	(49)
Balance at end of year	$ 530	$ 467	$599

Revenue Recognition

We recognize revenue as business process management services are completed. We recognize revenue on supply chain management services when products are shipped.

Training

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

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable, notes receivable, and debt. 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 and debt 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 (effect) of $433 and $(866) for 2002 and 2003, respectively) reported as a separate component of stockholders' equity. Investments are evaluated for other-than-temporary impairment if the fair value is below the Company's cost for six months. The Company then considers additional factors such as market conditions, the industry sectors in which the issuer of the investment operates, and the viability and prospects of each entity. Other-than-temporary declines in fair value are reflected on the income statement as loss on impaired investments. 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 available for sale 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

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (“SFAS No. 133”), requires companies to recognize all of its derivative instruments as either assets or liabilities in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation.

The Company has historically not entered into hedging transactions, however, in February 2004 the Company entered into a hedging agreement with Wells Fargo Bank to secure an exchange rate for the purchase of Canadian dollars.

Inventories

Inventories are valued at the lower of average costs, which approximate actual costs, computed on a first-in, first-out basis, or market.

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 their estimated useful lives as follows:

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

Income Taxes

The Company accounts for income taxes using the liability method of accounting for income taxes as prescribed by SFAS 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.

Stock Option Plans

The Company stock options plans, which are described more fully in Note 14, Stock Options, are accounted for under the intrinsic value recognition and measurement principles of Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees”, and related Interpretations. As the exercise price of all options granted under these plans was equal to the market price of the underlying stock on the grant date, no stock-based employee compensation cost was recognized in net income. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, “Accounting for Stock-Based Compensation”.

For purposes of this pro forma disclosure, the estimated fair value of the options is assumed to be amortized to expense over the options’ vesting periods.

	2001	2002	2003
Net income, as reported	$4,871	$15,166	$22,198
Fair value-based compensation cost, net of tax	1,756	5,234	2,851
Pro forma net income	$3,115	$ 9,932	$19,347
Basic earnings per share			
As reported	$ 0.35	$ 1.07	$ 1.56
Pro forma	$ 0.22	$ 0.70	$ 1.36
Diluted earnings per share			
As reported	$ 0.34	$ 1.05	$ 1.52
Pro forma	$ 0.22	$ 0.69	$ 1.32

New Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, “Accounting for Asset Retirement Obligations”. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. The Company adopted SFAS No. 143 on January 1, 2003, and the adoption of this statement did not result in any material impact.

In June 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities”, which provides guidance related to accounting for costs associated with disposal activities covered by SFAS No. 144 and with exit or restructuring activities previously covered by Emerging Issues Task Force (“EITF”) Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).* SFAS No. 146 supercedes EITF Issue No. 94-3 in its entirety. SFAS No. 146 requires that costs related to exiting an activity or to a restructuring not be recognized until the liability is incurred. SFAS No. 146 has been applied prospectively to exit or disposal activities initiated after December 31, 2002, and it had no material impact on results of operations and financial position.

In December 2002, the FASB issued SFAS No. 148, which provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also requires that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in a tabular format. Additionally, SFAS No. 148 requires disclosure of the pro forma effect in interim financial statements. The transition requirements of SFAS No. 148 are effective for the Company’s fiscal year 2003. SFAS No. 123, “Accounting and Disclosure of Stock-Based Compensation,” establishes an alternative method of expense recognition for stock-based compensation awards to employees based on estimated fair values. The Company elected not to adopt SFAS 123 for expense recognition purposes. It is expected FASB may require fair value accounting for stock options in the future, potentially beginning in 2005. However, the methodology to establish fair value for this purpose has not yet been determined.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* (“SFAS No. 150”). SFAS No. 150 clarifies the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity and requires that those instruments be classified as liabilities (or assets in certain circumstances) in statements of financial position. SFAS No. 150 also requires disclosures about alternative ways of settling the instruments and the capital structure of entities — all of whose shares are mandatorily redeemable. SFAS No. 150 is generally effective for all financial instruments entered into or modified after May 31, 2003. The adoption of SFAS 150 had no impact on the Company's financial statements.

On December 17, 2003, the Staff of the Securities and Exchange Commission (SEC or the Staff) issued Staff Accounting Bulletin No. 104 ("SAB 104"), *Revenue Recognition,* which supercedes SAB 101, *Revenue Recognition in Financial Statements.* SAB 104's primary purpose is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, superceded as a result of the issuance of EITF 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables.* SAB 104 did not have a significant impact on the Company's consolidated statements of income or financial position.

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, 2002, investments available for sale consisted of*:*

	Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	$16,627	$ 610	$ (9)	$17,228
Equity securities	21,172	175	(1,947)	19,400
Total	$37,799	$ 785	$ (1,956)	$36,628

As of December 31, 2003, investments available for sale consisted of:

	Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	$21,141	$ 1,302	$ (2)	$22,441
Equity securities	12,486	1,158	(130)	13,514
Total	$33,627	$ 2,460	$ (132)	$35,955

As of December 31, 2003, amortized costs and estimated fair values of investments available for sale by contractual maturity were:

	Basis	Estimated Fair Value
Corporate bonds maturing within:		
One year or less	$ 5,036	$ 5,175
Two to five years	16,105	17,266
	$21,141	$22,441
Equity securities	12,486	13,514
Total	$33,627	$35,955

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

As of December 31, 2002, the Company was also invested in trading securities, which, in the aggregate, had an original cost and fair market value of $6,214 and $7,394, 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, 2002, the Company had sold call options for a total of 18,000 shares of US equity securities which, in the aggregate, had a basis and market value of $9 and $7, respectively, and sold put options for a total of 12,000 shares of US equity securities which, in the aggregate, had a basis and market value of $14 and $13, respectively. The foregoing call and put options were reported net as components of trading securities and expired January 18, 2003.

As of December 31, 2003, the Company was also invested in trading securities, which, in the aggregate, had an original cost and fair market value of $4,042 and $5,857, respectively. Trading securities consisted primarily of alternative investment partnerships and option contracts sold. 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, 2003, the Company had sold call options for a total of 33,000 shares of US equity securities which, in the aggregate, had a basis and market value of $14 and $42, respectively, and sold put options for a total of 44,500 shares of US equity securities which, in the aggregate, had a basis and market value of $23 and $13, respectively. The foregoing call and put options expired between January 17, 2004 and February 21, 2004.

Risk of loss to the Company in the event of nonperformance by any party is not considered substantial. 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. Loss on Impaired Investments

In January 2001, the Company purchased an investment in Six Sigma, LLC ("Six Sigma"). Six Sigma provided its audited financial statements, which included an unqualified independent auditors' opinion. The purpose of Six Sigma was to provide revolving platform financing to its customer, a national mortgage company ("Mortgage Company") and all advances were to be secured by first mortgages or deeds of trust on residential properties located in 47 different states. Six Sigma was to receive interest from the lender and a portion of the loan origination fees. Subsequently, a federal court placed the Mortgage Company into receivership based on allegations by the SEC that the president of the Mortgage Company had misappropriated large amounts of funds. The concurrent default on the line of credit extended by Six Sigma to the Mortgage Company triggered a bankruptcy filing by Six Sigma. Based on the limited information available to the Company in 2001, the Company believed it to be probable that its investment in Six Sigma had been impaired, and took a charge for a loss on the entire investment balance of $3,000 and accrued interest and fees of $40.

Through its wholly owned subsidiary Domain.com, Inc., the Company has a 19.9% investment in and notes receivable from Gifts.com, Inc. for a total of $12,412. Gifts.com, Inc. has experienced recurring operating losses, negative cash flows, and a deficiency in working capital. In 2001, management determined it to be probable the Company's investment in and notes receivable from Gifts.com, Inc. was impaired, and took a charge for a loss on the entire balance of $12,412.

The Company periodically evaluates investment holdings on an individual basis and in 2002 determined certain declines in the fair value of investments available for sale to be other than temporary. The Company recorded $6,356 in investment impairment and a $146 cash recovery of the Six Sigma impairment originally recorded in 2001. No other-than-temporary impairments were recorded in 2003.

5. Inventories

The Company purchases components of its clients' products as an integral part of its supply chain 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,	
	2002	2003
Purchased components and fabricated assemblies	$1,373	$1,652
Finished goods	90	68
Total	$1,463	$1,720

6. Property, Plant and Equipment

	December 31,	
	2002	2003
Land	$ 2,400	$ 2,348
Buildings and improvements	24,734	31,132
Equipment	38,666	55,707
Furniture and fixtures	4,935	8,281
	70,735	97,468
Less accumulated depreciation and amortization	(31,938)	(42,905)
Property, plant and equipment, net	$ 38,797	$ 54,563

7. Line of Credit

The Company maintains a $10.0 million unsecured line of credit with Wells Fargo Bank West, N.A. (the "Bank") that expires on September 30, 2005. Borrowings under the line of credit bear interest at the Bank's prime rate minus 1% (3.00% as of December 31, 2003). Under this line of credit, the Company is required to maintain minimum tangible net worth of $80.0 million and operate at a profit. The Company may not pay dividends in an amount that would cause a failure to meet the minimum tangible net worth covenant. As of December 31, 2003, the Company was in compliance with the financial covenants, and no balance was outstanding under the line of credit.

8. Leases

The Company leases facilities and equipment under various non-cancelable operating leases. As of December 31, 2003 future minimum rental commitments for operating leases were:

	Operating Leases
2004	$ 3,440
2005	2,664
2006	2,572
2007	2,373
2008	1,825
Thereafter	4,627
Total minimum lease payments	$17,501

Rent expense, including equipment rentals, for 2001, 2002, and 2003 was $1,044, $1,407, and $2,136, 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 requires 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 matured on January 1, 2004 and continues on a month-to-month basis. As of December 31, 2003, the Company had used approximately $4,468 and $1,988 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.

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

10. Long-Term Debt

	December 31, 2002	December 31, 2003
5.0% to 5.4% equipment loans	$ 5,304	$ —
Variable rate equipment loan	469	—
Non-interest bearing promissory note with incentive provisions	553	—
Other debt obligations	156	104
	6,482	104
Less current portion of long-term debt	(2,221)	(26)
Long-term debt, less current portion	$ 4,261	$ 78

As of December 31, 2003, future scheduled annual principal payments on long-term debt were:

2004	$ 26
2005	26
2006	26
2007	26
	$104

In February 2004, the Company entered into a $10 million loan secured by various computer, telecommunications and office equipment. The loan bears interest at 3.65% and is payable in installments over forty-eight months.

11. Income Taxes

Significant components of the provision for income taxes were:

	2001	2002	2003
Current:			
Federal	$ 6,485	$5,771	$13,771
Foreign	292	907	1,180
State	731	830	(314)
Total current	7,508	7,508	14,637
Deferred:			
Federal	(3,906)	1,378	(1,113)
Foreign	—	(175)	(10)
State	(591)	196	(95)
Total deferred	(4,497)	1,399	(1,218)
Income tax expense	$ 3,011	$8,907	$13,419

Income tax benefits associated with disqualifying dispositions of incentive stock options during 2001, 2002 and 2003 reduced income taxes by $170, $378 and $952 for 2001, 2002 and 2003, respectively. Such benefits were recorded as an increase to additional paid-in capital.

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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:

	2002	2003
Current deferred tax assets (liabilities):		
Bad debt allowance	$ 317	$ 323
Vacation accrual	639	776
Deferred revenue	96	62
Accrued expenses	489	509
Unrealized loss on investments	446	787
Loss on impaired investments available for sale	2,259	56
Other	54	(263)
Total current deferred tax assets	4,300	2,250
Long-term deferred tax assets (liabilities):		
Tax depreciation in excess of book	(846)	745
Loss on impaired investments	956	998
Net long-term deferred tax assets	110	1,743
Total net deferred tax assets	$4,410	$3,993

Differences between US federal statutory income tax rates and the Company's effective tax rates for the years ended December 31, 2000, 2001, and 2002 were:

	2001	2002	2003
Tax at US statutory rates	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	3.3	3.1	3.0
Other, net	(0.1)	(1.1)	(0.8)
	38.2%	37.0%	37.2%

12. Net Interest Income and Other

	Year Ended December 31,		
	2001	2002	2003
Interest income	$2,511	$2,013	$2,139
Interest expense	(347)	(419)	(282)
Other income and expense	2,154	392	2,191
Net interest income and other	$4,318	$1,986	$4,048

13. Stock Options

Stock option plans have been established since 1997 to provide stock options, stock appreciation rights, 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 1,585,000 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. Each Participant is granted options to acquire 10,000 shares of common stock upon election to serve on the Company's board of directors and is automatically granted options to acquire 3,000 shares of common stock on the date of each annual meeting of stockholders at which such Participant is reelected. All options granted under the Director Option Plan fully vest upon grant and expire at the earlier of: (i) date when 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.

The following table summarizes the activity and terms of outstanding options at December 31, 2001, 2002, and 2003:

	2001		2002		2003	
	Options	Average Exercise Price	Options	Average Exercise Price	Options	Average Exercise Price
Options outstanding at beginning of year	648,080	$22.95	1,158,950	$20.06	1,194,220	$21.11
Granted	645,000	17.46	333,500	24.30	128,500	27.57
Exercised	(49,340)	14.94	(110,020)	15.28	(158,430)	18.35
Canceled	(84,790)	25.32	(188,210)	23.87	(80,430)	23.74
Options outstanding as of end of year	1,158,950	$20.06	1,194,220	$21.11	1,083,860	$22.09
Options exercisable as of end of year	322,750	$20.65	423,620	$19.99	442,000	$21.21

Summary information about the Company's stock options outstanding at December 31, 2003 is as follows:

Range of Exercise Prices	Outstanding at December 31, 2003	Weighted Average Remaining Life (In Years)	Weighted Average Exercise Price	Exercisable at December 31, 2003	Weighted Average Exercise Price
$10.38 – $14.94	131,340	6.9	$ 14.75	52,140	$ 14.63
$15.00 – $19.39	436,010	5.7	16.63	260,990	16.00
$21.25 – $24.70	190,270	8.0	23.39	8,870	22.91
$25.26 – $28.26	214,580	7.8	26.25	62,720	26.03
$30.56 – $34.41	56,260	8.4	33.38	13,160	31.77
$38.62 – $38.94	10,700	6.0	38.65	10,420	38.64
$42.75 – $50.50	30,160	5.4	45.37	22,360	44.92
$65.00 – $74.00	14,540	6.0	69.22	11,340	68.29
$10.38 – $74.00	1,083,860	6.8	$ 22.09	442,000	$ 21.21

STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 SFAS No. 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 provide for by SFAS No. 123. See Note 1.

Fair value of options granted during 2001, 2002 and 2003 reported in Note 1: Basis of Presentation and Summary of Significant Accounting Policies was estimated as of date of grant using a Black-Scholes option pricing model with the following assumptions:

	2001	2002	2003
Expected life in years	7.0	7.0	7.0
Risk-free interest rate	3.53-5.08%	1.43-3.65%	1.43-3.94%
Volatility	71.3%	67.5%	63.9%
Dividend yield	0%	0%	0-4.36%

Weighted average grant date fair market value of options granted during 2001, 2002, and 2003 was approximately $17.50 per share, $24.30 per share, and $27.57 per share, respectively.

The Black-Scholes option valuation model was developed for use in estimating fair value of traded options that 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 — (Continued)

14. Geographic Area Information

The Company, operating in a single industry segment, provides a variety of integrated, outsourced services to other businesses throughout the world. The Company's North America operations are located in the United States of America and Canada. The Company's Europe operations are located in the United Kingdom. The Company's Asia operations, closed in January 2002, were 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, 2001					
Revenues	$ 155,612	$16,080	$10,884	$ —	$182,576
Operating profit	18,580	278	158	—	19,016
Identifiable assets	196,125	6,286	2,985	(76,243)	129,153
Year Ended December 31, 2002					
Revenues	$ 200,288	$ 7,493	$ 83	$ —	$207,864
Operating profit (loss)	29,615	(1,291)	(27)	—	28,297
Identifiable assets	238,717	3,983	—	(102,279)	140,421
Year Ended December 31, 2003					
Revenues	$ 225,408	$ 5,781	$ —	$ —	$231,189
Operating profit (loss)	33,300	(2,001)	—	—	31,299
Identifiable assets	283,658	1,417	—	(131,468)	153,607

15. Principal Clients

The following table represents revenue concentrations of the Company's principal clients:

	Year Ended December 31,		
	2001	2002	2003
AT&T Wireless Services, Inc.	19.1%	26.3%	38.1%
Microsoft Corp.	48.4%	34.4%	21.7%
T-Mobile, a subsidiary of Deutsche Telekom	6.5%	12.2%	16.1%
AT&T Corp.	10.8%	13.3%	13.1%

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. AT&T Wireless Services has announced that it has entered an agreement to be acquired by Cingular Wireless LLC. 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, 2003.

16. Quarterly Data (Unaudited)

	2002 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenue	$ 45,960	$ 43,350	$ 52,095	$ 66,459
Gross profit	11,169	11,124	13,079	15,483
Selling, general and administrative expenses(a)	5,217	5,089	5,834	6,429
Operating profit(a)	5,952	6,035	7,245	9,054
Loss on impaired investments	—	—	—	(6,210)
Net income	4,020	3,976	4,506	2,664
Earnings per share:				
Basic	$ 0.29	$ 0.28	$ 0.32	$ 0.19
Diluted	$ 0.28	$ 0.28	$ 0.31	$ 0.18
Weighted average shares outstanding:				
Basic	14,086,561	14,118,729	14,168,463	14,147,888
Diluted	14,269,254	14,410,318	14,396,454	14,418,078

	2003 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenue	$ 50,528	$ 54,528	$ 60,002	$ 66,131
Gross profit	12,187	12,768	15,554	19,279
Selling, general and administrative expenses	6,350	7,203	7,146	7,790
Operating profit	5,837	5,565	8,408	11,489
Net income	4,154	4,177	5,900	7,967
Earnings per share:				
Basic	$ 0.29	$ 0.29	$ 0.41	$ 0.56
Diluted	$ 0.29	$ 0.29	$ 0.40	$ 0.54
Weighted average shares outstanding:				
Basic	14,203,794	14,209,061	14,248,378	14,310,632
Diluted	14,479,587	14,501,994	14,681,052	14,783,736

(a) Certain amounts were reclassified in the first and second quarters of 2002 to conform with annual presentation.

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/ EUGENE L. MCKENZIE, JR.

Eugene L. McKenzie, Jr.
Executive Vice President, Chief Financial Officer, Secretary, and Treasurer

Date: March 8, 2004

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/ WILLIAM E. MEADE, JR. William E. Meade, Jr.	President, Chief Executive Officer and Director (Principal Executive Officer)	Date: March 8, 2004
/s/ EUGENE L. MCKENZIE, JR. Eugene L. McKenzie, Jr.	Executive Vice President, Chief Financial Officer, Secretary, and Treasurer (Principal Financial and Accounting Officer)	Date: March 8, 2004
/s/ A. EMMET STEPHENSON, JR. A. Emmet Stephenson, Jr.	Chairman of the Board	Date: March 8, 2004
/s/ ED ZSCHAU Ed Zschau	Director	Date: March 8, 2004
/s/ MICHAEL S. SHANNON Michael S. Shannon	Director	Date: March 8, 2004
/s/ HANK BROWN Hank Brown	Director	Date: March 8, 2004

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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).
4.1	Specimen Common Stock certificate (incorporated by reference from Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on March 7, 1997).
10.1	StarTek, Inc. Stock Option Plan (incorporated by reference from Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on March 7, 1997).
10.2	Form of Stock Option Agreement (incorporated by reference from Amendment No. 1 to Form S-1 Registration Statement filed with the Securities and Exchange Commission on March 7, 1997).
10.3	StarTek, Inc. Director Stock Option Plan (incorporated by reference from Form S-1 Registration Statement filed with the Securities and Exchange Commission on January 29, 1997).
10.14	Facility lease agreement dated as of July 8, 1998 between StarTek USA, Inc. (a wholly-owned subsidiary of the Company) and the Industrial Development Board of the County of Montgomery, Tennessee and Industrial Development Revenue Note, Series A dated as of July 8, 1998 and issued by the Industrial Development Board of the County of Montgomery, Tennessee (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on August 14, 1998).
10.16	Equipment lease agreement dated as of July 8, 1998 between StarTek USA, Inc. (a wholly-owned subsidiary of the Company) and the Industrial Development Board of the County of Montgomery, Tennessee and Industrial Development Revenue Note, Series B dated as of July 8, 1998 and issued by the Industrial Development Board of the County of Montgomery, Tennessee (incorporated by reference from Form 10-K Annual Report filed with the Securities and Exchange Commission on March 31, 1999).
10.20	Contribution Agreement dated September 15, 1999 among Good Catalog Company, The Reader’s Digest Association, Inc., and Domain.com, Inc. (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 15, 1999).
10.21	Stockholders Agreement dated September 15, 1999 by and among Good Catalog Company, The Reader’s Digest Association, Inc., and Domain.com, Inc. (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 15, 1999).
10.22	Loan Agreement dated November 1, 1999 with respect to loans to be extended by The Reader’s Digest Association, Inc. and Domain.com, Inc. to Good Catalog Company (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 15, 1999).
10.23	Promissory Note of Good Catalog Company dated November 1, 1999 in the principal amount of $7,816,875.00 payable to the order of Domain.com, Inc. (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 15, 1999).

Exhibits	
10.30†	Employment Agreement dated as of January 1, 2001 between StarTek, Inc. and Michael W. Morgan (incorporated by reference from Form 10-K Annual Report filed with the Securities and Exchange Commission on March 29, 2001)
10.33	Credit Agreement and $10,000,000 Revolving Line of Credit Note dated June 30, 2003 between StarTek, Inc. and Wells Fargo Bank West, National Association (incorporated by reference from Exhibit 10.32 to Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on August 14, 2003).
10.34†	Employment Agreement dated as of May 2001 between StarTek, Inc. and William E. Meade (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on August 14, 2001).
10.35	Facility lease agreement dated July 25, 2001 between OGT Holdings Ltd. and StarTek Canada Services, Ltd. and StarTek USA, Inc. (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on August 14, 2001).
10.36	Facility Sublease dated July 1, 2001 between The Business Depot Ltd. and StarTek Canada Services, Ltd. (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on August 14, 2001).
10.37#	VoiceStream Wireless Corporation Services (wholly owned subsidiary of Deutsche Telekom, AG) Agreement between StarTek USA, Inc. and VoiceStream Wireless Corporation dated June 8, 2001(incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 14, 2001).
10.38#	Microsoft Corporation Manufacturing and Supply and Services Agreement between StarTek, Inc. and Microsoft Corporation dated July 1, 2001 (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 14, 2001).
10.39	Gifts.com, Inc. Amended, Restated and Consolidated Subordinate Loan Agreement between Reader's Digest Association, Inc., Domain.com, Inc. and Gifts.com, Inc. dated September 30, 2001 (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 14, 2001).
10.42#	AT&T General Agreement dated January 1, 2002 between StarTek, Inc. and AT&T Corp. (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on May 15, 2002).
10.43#	Amended and Restated Services Agreement dated April 1, 2002 between StarTek USA, Inc., and VoiceStream Wireless Corporation (incorporated by reference from Form 10-Q Quarterly Report filed with the Security and Exchange Commission on November 12, 2002).
10.44	Provider Master Service Agreement dated March 21, 2002 between StarTek USA, Inc., and AT&T Wireless Services, Inc. (incorporated by reference from Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 12, 2002).
10.45	Facility lease agreement dated February 14, 2003 between Cornwall Centre Limited and StarTek Canada Services Ltd. (incorporated by reference from Exhibit 10.44 to Form 10-K Quarterly Report filed with the Securities and Exchange Commission on March 12, 2003).
10.46	Facility lease agreement dated February 24, 2003 between Cardwell Companies Inc. and StarTek USA, Inc. (incorporated by reference from Exhibit 10.45 to Form 10-K Quarterly Report filed with the Securities and Exchange Commission on March 12, 2003).
*10.47	Registration Rights Agreement by and among StarTek, Inc., A. Emmet Stephenson, Jr.,
*10.48	Investor Rights Agreement by and among StarTek, Inc., A. Emmet Stephenson, Jr., and Toni E. Stephenson.
*10.49†	Form of Indemnification Agreement between StarTek, Inc. and its Officers and Directors.
*10.50	Promissory Note to Wells Fargo Equipment Finance, Inc.
*21.1	Subsidiaries of the Registrant.
*23.1	Consent of Independent Auditors dated March 8, 2004.
*31.1	Section 302 Certification by William E. Meade, Jr.
*31.2	Section 302 Certification by Eugene L. McKenzie, Jr.

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Exhibits	
*32.1	Section 906 Certification by William E. Meade, Jr.
*32.2	Section 906 Certification by Eugene L. McKenzie, Jr.

*	Filed with this Form 10-K

†	Management contract or compensatory plan or arrangement.

\#	The Securities and Exchange Commission has granted our request that certain material in this agreement be treated as confidential. Such material has been redacted from the exhibit as filed.

EXHIBIT 10.47

STARTEK, INC.

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is entered into as of February 13, 2004, by and among Startek, Inc., a Delaware corporation (the "Company") and the shareholders listed on **Exhibit A** (a "Shareholder" or the Shareholders"). This Agreement is effective only upon the occurrence of the Effective Date and only if the Effective Date occurs not later than September 30, 2004.

RECITALS

A. Each Shareholder owns the number of shares of Common Stock of the Company set forth opposite such Shareholder's name on **Exhibit A**.

B. For good and valuable consideration, the receipt of which is acknowledged by the parties, the parties desire to enter into this Agreement in order to grant registration, information rights and other rights to the Shareholders and their permitted assignees as set forth below.

AGREEMENT

SECTION 1. GENERAL.

1.1 Definitions. As used in this Agreement the following terms shall have the following respective meanings:

(a) ***"Change in Control"*** means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events: (1) any Exchange Act Person becomes the owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction, (2) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company if, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior to such transaction by virtue of such transaction do not own, directly or indirectly, either (A) outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving entity in such merger, consolidation or similar transaction or (B) more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving entity in such merger, consolidation or similar transaction, in either case in substantially the same proportion as their ownership of the Company immediately prior to such merger, consolidation or similar transaction; or (3) there is consummated a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the

Company and its subsidiaries to an entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportion as their ownership of the Company immediately prior to such sale, lease, license or other disposition. The term Change in Control shall not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company.

(b) ***"Effective Date"*** means the closing date for the Pending Offering.

(c) ***"Exchange Act"*** means the Securities Exchange Act of 1934, as amended.

(d) ***"Exchange Act Person"*** means any natural person, entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that "Exchange Act Person" shall not include (A) the Company or any subsidiary of the Company, (B) any employee benefit plan of the Company or any subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) an entity owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(e) ***"Holder"*** means any person, whether a Shareholder or a permitted assignee of a Shareholder, who owns of record Registrable Securities that have not been sold to the public or any assignee of record of such Registrable Securities in accordance with Section 2.8.

(f) ***"Pending Offering"*** means the offering of Common Stock of the Company that is being conducted for the sale of Common Stock by the Shareholders, the FASSET Trust, and the MASSET Trust pursuant to a registration statement filed with the Commission on or about the date of this Agreement.

(g) ***"Register," "registered,"*** and ***"registration"*** refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

(h) ***"Registrable Securities"*** means (a) Common Stock of the Company that is held as of the date of this Agreement by any Shareholder, and (b) Common Stock which is acquired after the date of this Agreement by any Shareholder or any permitted assignee of any Shareholder under Section 2.8.

(i) ***"Registrable Securities then outstanding"*** shall be the number of shares of the Company's Common Stock that are Registrable Securities and are then issued and outstanding.

(j) ***"Registration Expenses"*** shall mean all expenses incurred by the Company in complying with Sections 2.1 and 2.2, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company, which shall be paid in any event by the Company).

(k) ***"SEC"*** or ***"Commission"*** means the Securities and Exchange Commission.

(l) ***"Securities Act"*** shall mean the Securities Act of 1933, as amended.

(m) ***"Selling Expenses"*** shall mean all underwriting discounts and selling commissions applicable to the sale.

(n) ***"Special Registration Statement"*** shall mean a registration statement or registration (i) relating to any employee benefit plan, (ii) with respect to any corporate reorganization, merger, acquisition, or other transaction under Rule 145 of the Securities Act or registered on Form S-4, including any registration statements related to the issuance or resale of securities issued in such a transaction, or (iii) related to stock issued upon conversion of preferred or debt securities or (iv) for re-sale of stock issued in a PIPE or similar financing.

SECTION 2. REGISTRATION.

2.1 Demand Registration.

(a) Subject to the conditions of this Section 2.1, if the Company receives a written request (with the information described in the first sentence of Section 2.1(b)) from the Holders of one-third or more of the Registrable Securities then outstanding (the "***Initiating Holders***") that the Company file a registration statement under the Securities Act covering the registration of at least 500,000 shares of Common Stock (as adjusted for stock splits and combinations), or a lesser number if the anticipated aggregate offering price, net of underwriting discounts and commissions, would exceed $2,000,000, then the Company shall, within ten (10) days after the receipt of such request, give written notice (with the information described in the first sentence of Section 2.1(b)) of such request to all Holders, and subject to the limitations of this Section 2.1, effect, as expeditiously as reasonably possible, the registration under the Securities Act of all Registrable Securities that all Holders request to be registered.

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 2.1, and the Company shall include such information in the written notice referred to in Section 2.1(a). In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided in this Agreement. All Holders who propose to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders (which underwriter or underwriters shall be reasonably acceptable to the Company). Notwithstanding any other provision of this Section 2.1, if the underwriter advises the Company that marketing factors require a limitation of the number of securities to be underwritten (including Registrable Securities), then the Company shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant to this Agreement, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities on a *pro rata* basis based on the number of Registrable Securities held by all such Holders (including the Initiating Holders), but the number of shares of Registrable Securities to be included in such underwriting and registration shall not be reduced unless all other securities of the Company are first entirely excluded from the underwriting and registration. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) The Company shall not be required to effect a registration pursuant to this Section 2.1:

(i) prior to six (6) months from the date of this Agreement;

(ii) prior to ninety (90) days after the closing of the Pending Offering;

(iii) after the Company has effected two registrations pursuant to this Section 2.1, such registrations have been declared or ordered effective, and the Initiating Holders were permitted to register such shares as they requested to be registered pursuant to this Section 2.1 without reduction of more than 15% by any underwriter;

(iv) during the period starting with the date of filing of, and ending on the date one hundred eighty (180) days following the effective date of a registration statement filed by the Company for the primary issuance of its own securities (or a Special Registration Statement or pursuant to demand rights granted to other investors under a demand that is exercised on or after the third anniversary of the Effective Date), as long as the Company makes reasonable good faith efforts to cause such registration statement to become effective;

(v) if within ten (10) business days after receipt of a written request from Initiating Holders pursuant to Section 2.1(a), the Company gives notice to the Holders of the Company's intention to file a registration statement for the issuance of its own securities within ninety (90) days, but the Company may exercise such right to delay a request not more than once in any twelve (12) month period;

(vi) if the Company determines in good faith that it would be materially detrimental to the Company and its stockholders for such registration statement to be effected at such time and provides to the Shareholders information which reasonably supports such a determination, in which event the Company shall have the right to defer such filing for a period of not more than 90 days after receipt of the request of the Initiating Holders, but such right to delay a request shall be exercised by the Company not more than once in any twelve (12) month period; or

(vii) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

The Company may require, as a condition to its obligation to provide information to the Holders concerning the material detriment contemplated in clause **(v)**, that the Holders acknowledge that the information provided to them constitutes material, non-public information about the Company and that they agree not to misuse such information.

2.2 Piggyback Registrations. The Company shall notify all Holders of Registrable Securities in writing at least fifteen (15) days prior to the filing of any registration statement under the Securities Act for purposes of a public offering of Common Stock of the Company (but excluding Special Registration Statements) and will afford each such Holder an opportunity to include in such registration statement all or part of such Registrable Securities held by such Holder. Each Holder who desires to include in any such registration statement all or any part of the Registrable Securities held by it shall, within thirty (30) days after the above-described notice from the Company, so notify the Company in writing. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth in this Agreement.

(a) Underwriting. If the registration statement under which the Company gives notice under this Section 2.2 is for an underwritten offering, the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder to be included in a registration pursuant to this Section 2.2 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided in this Agreement. All Holders who propose to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Agreement, if the underwriter determines in good faith that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated, (i) first, to the Company; (ii) second, to the Holders on a *pro rata* basis based on the total number of Registrable Securities held by such Holders, except that on and after the third anniversary of the Effective Date, the number of shares shall be allocated in this second level of priority on a *pro rata* basis based on the total number of Registrable Securities held by such Holders and the total number of shares of Common Stock held by other stockholders who have piggyback registration rights with respect to such shares of Common Stock; and (iii) third, to any stockholder of the Company (other than a Holder and, after the third anniversary of the Effective Date, other than any other stockholders who have piggyback registration rights) on a *pro rata* basis. Except as provided in clause (ii) above (with respect to registrations under piggyback registration rights held by other stockholders, if any, that are exercised after the third anniversary of the Effective Date), in no event will shares of any other selling stockholder be included in such registration that would reduce the number of shares which may be included by Holders without the written consent of Holders of not less than a majority of the Registrable Securities proposed to be sold in the offering. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw its Registrable Securities from such registration by written notice to the Company and the underwriter, delivered at least ten (10) business days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration. For purposes of this Section 2.2(a) only, for any Holder which is a partnership or corporation, the partners, retired partners and stockholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "Holder," and any *pro rata* reduction with respect to such "Holder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "Holder," as defined in this sentence.

(b) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.2 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 2.3.

2.3 Expenses of Registration.

(a) Demand Registrations. All Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to Section 2.1 shall be borne by the parties in accordance with the principle that (i) the Company will bear all costs of compliance with Section 2.1 to the extent that the Company would be required to undertake such actions within the next 12 months in any event (such as the updating or expansion of its disclosure under the Exchange Act) but for a demand for registration under Section 2.1 or to the extent that the Company obtains substantial benefit from such compliance (such as updating of its disclosure to comply with newly-enacted Commission Rules), and (ii) the holders of the securities so registered will bear all costs of compliance to the extent that both the Company would not otherwise have incurred such expense but for a demand for registration under Section 2.1 and such compliance would not provide substantial benefit to the Company. The foregoing allocation shall be determined in good faith by the Company and the holders of a majority of the Registrable Securities that are subject to the registration. The holders of the securities so registered shall not, however, be required to pay for expenses of any registration proceeding begun pursuant to Section 2.1, the request of which has been subsequently withdrawn by the Initiating Holders because the withdrawal is based upon material adverse information concerning the Company of which the Initiating Holders were not aware at the time of such request. If the offering is withdrawn pursuant to the immediately preceding sentence, then the Holders shall not forfeit their rights pursuant to Section 2.1 to a demand registration.

(b) Piggyback Registrations. Except as specifically provided in this Agreement, all Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to any registration under Section 2.2 shall be borne by the Company.

(c) Selling Expenses. All Selling Expenses incurred in connection with any registration under this Agreement (such as financial printing costs) shall be borne by the holders of the securities so registered *pro rata* on the basis of the number of shares so registered.

(d) General Rule. To the extent that the Holders are required to pay the Registration Expenses under Section 2.1 or Section 2.2, such expenses shall be borne by the holders of securities (including Registrable Securities) requesting such registration in proportion to the number of shares for which registration was requested.

2.4 Obligations of the Company. Whenever required to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered under such registration statement, keep such registration statement effective for up to one hundred twenty (120) days or, if earlier, until the Holder or Holders have completed the distribution under such registration statement, but, at any time, upon written notice to the participating Holders and for a period not to exceed sixty (60) days thereafter (the "Suspension Period"), the Company may delay the filing or effectiveness of any registration statement or suspend the use or effectiveness of any registration statement (and the Initiating Holders hereby agree not to offer or sell any Registrable Securities pursuant to such registration statement during the Suspension Period) if the Company reasonably believes that the Company may, in the absence of such delay or suspension under this Agreement, be required under state or federal securities laws to disclose any corporate development the disclosure of which could reasonably be expected to have a material adverse effect upon the Company, its stockholders, a potentially significant transaction or event involving the Company, or any negotiations, discussions, or proposals directly relating to the foregoing. If the Company exercises its right to delay or suspend the filing or effectiveness of a registration under this Agreement, the applicable period during which the registration statement is to remain effective shall be extended by a period equal to the duration of the Suspension Period. The Company may extend the Suspension Period for an additional consecutive sixty (60) days with the consent of the holders of a majority of the Registrable Securities registered under the applicable registration statement, which consent shall not be unreasonably withheld. If so directed by the Company, all Holders registering shares under such registration statement shall use their best efforts to deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holders' possession, of the prospectus relating to such Registrable Securities current at the time of receipt of such notice. The Company shall not be required to file, cause to become effective or maintain the effectiveness of any registration statement that contemplates a distribution of securities on a delayed or continuous basis pursuant to Rule 415 under the Securities Act.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for the period set forth in subsection (a) above.

(c) Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, but the Company shall not be required in connection with, or as a condition to, such registration to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. Each Holder who participates in such underwriting shall also enter into and perform its obligations under such an agreement in usual and customary form.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating to such registration statement is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing. Subject to Section 2.4(a) above, the Company will use reasonable efforts to amend or supplement such prospectus in order to cause such prospectus not to include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Use its reasonable efforts to furnish, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and (ii) a letter, dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering addressed to the underwriters.

2.5 Termination of Registration Rights. All registration rights granted under this Section 2 shall terminate and be of no further force and effect upon the earlier of (i) the fifth anniversary of the Effective Date, or (ii) when the aggregate number of Registrable Securities is less than 10% of the total number of shares of Common Stock of the Company then outstanding.

2.6 Delay of Registration; Furnishing Information.

(a) No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

(b) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 2.1 or 2.2 that the selling Holders furnish to the Company such information regarding themselves, the Registrable Securities held by them, and the intended method of disposition of such securities as is required to effect the registration of their Registrable Securities.

(c) The Company shall have no obligation with respect to any registration requested pursuant to Section 2.1 if, due to the operation of subsection 2.1(a), the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in Section 2.1.

2.7 Indemnification. In the event any Registrable Securities are included in a registration statement under Sections 2.1 or 2.2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, members, officers and directors of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect to such matters) arise out of or are based upon any of the following statements, omissions or violations (collectively a "***Violation***") by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement or incorporated reference therein, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement; and the Company will reimburse each such Holder, partner, member, officer, director, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action, but the indemnity agreement contained in this Section 2.7(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, and the Company shall not be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, member, officer, director, underwriter or controlling person of such Holder.

(b) To the extent permitted by law, each Holder will, severally and not jointly, if Registrable Securities held by such Holder are included in the securities as to which such registration qualifications or compliance is being effected, indemnify and hold harmless the Company, each of its directors, its officers and each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors or officers or any person who controls such Holder, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, controlling person, underwriter or other such Holder, or partner, director, officer or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect to such matters) arise out of or are based upon any of the following statements: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement or incorporated by reference in such registration statement, including any preliminary prospectus or final prospectus contained in such registration statement or any amendments or supplements to such registration statement, (ii) the omission or alleged omission to state in such registration statement a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act (collectively, a "***Holder Violation***"), in each case to the extent (and only to the extent) that such Holder Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder and stated to be specifically for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or other Holder, or partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action if it is judicially determined that there was such a Holder Violation, but the indemnity agreement contained in this Section 2.7(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld, and in no event shall any indemnity under this Section 2.7 exceed the proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.7 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect is to be made against any indemnifying party under this Section 2.7, deliver to the indemnifying party a written notice of the commencement and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense with counsel mutually satisfactory to the parties, but an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, to the extent materially prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.7, but the failure so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.7.

(d) If the indemnification provided for in this Section 2.7 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to in this Agreement, the indemnifying party, in lieu of indemnifying such indemnified party under this Agreement, shall to the extent permitted by applicable law contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault and relative benefit of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) or Holder Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission, but in no event shall any contribution by a Holder under this Agreement exceed the proceeds from the offering received by such Holder.

(e) The obligations of the Company and Holders under this Section 2.7 shall survive completion of any offering of Registrable Securities in a registration statement and the termination of this Agreement. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

2.8 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 2 may be assigned by a Holder to a transferee or assignee of Registrable Securities that (a) is a subsidiary, parent, general partner, limited partner, retired partner, member or retired member, of a Holder, (b) is a Holder's estate or guardian, family member or a trust for the benefit of an individual Holder or family member of such Holder, or (c) is an entity affiliated by common control (or other related entity) with such Holder, but, in any such event, as a condition to the effectiveness of such assignment, (i) the transferor (or the transferor's estate or guardian, in the event of the death of a Holder) shall, within ten (10) days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned, and (ii) such transferee shall agree to be subject to all restrictions set forth in this Agreement.

2.9 Limitation on Subsequent Registration Rights. After the date of this Agreement, the Company shall not, without the prior written consent of the Holders of at least a majority of the Registrable Securities then outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company that would allow any such holder or prospective holder to exercise any demand registration rights or piggyback registration rights prior to the third anniversary of this Agreement, if any such rights would conflict with the registration rights granted to the Holders under this Agreement, it being the intention of the parties that the Shareholders shall have senior demand registration rights and senior piggyback registration rights through the third anniversary of the Effective Date. Without limiting the foregoing, if the Company grants registration rights to any person other than the Shareholders and such person can demand registration or utilize piggyback registration rights prior to the third anniversary of this Agreement, then (a) the Company must give at least 30 days' notice to the Shareholders prior to the effectiveness of any demand registration and if the Shareholders demand registration under Section 2.1 within such 30-day period, then the demand of the other person or persons shall have no effect and the Shareholders may require the Company not to permit any such registration by such other person or persons for a period of 180 days after the registration statement for the Shareholders is effective, and (b) in connection with any demand registration by the Shareholders under Section 2.1, the Company will not permit any other person to exercise any piggyback registration rights without the consent of the holders of a majority of the Registrable Securities that are subject to the registration.

2.10 "Market Stand-Off" Agreement. Each Holder hereby agrees that such Holder shall not sell, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any Common Stock (or other securities) of the Company held by such Holder (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company not to exceed ninety (90) days following the effective date of a registration statement of the Company filed under the Securities Act, but this agreement shall apply only if all officers and directors of the Company enter into similar agreements. The obligations described in this Section 2.10 shall not apply to a Special Registration Statement.

2.11 Agreement to Furnish Information. Each Holder agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter that are consistent with the Holder's obligations under Section 2.10 or that are necessary to give further effect to this Agreement. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, each Holder shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section 2.11 shall not apply to a Special Registration Statement. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said ninety (90) day period. Each Holder agrees that any transferee of any shares of Registrable Securities shall be bound by Sections 2.10 and 2.11. The underwriters of the Company's stock are intended to be third party beneficiaries of Sections 2.10 and 2.11 and shall have the right, power and authority to enforce the provisions as though they were a party to this Agreement.

2.12 Rule 144 Reporting. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its best efforts to:

(a) Make and keep public information available, as those terms are understood and defined in SEC Rule 144 or any similar or analogous rule promulgated under the Securities Act, at all times after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

(b) File with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act;

(c) So long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 of the Securities Act, and of the Exchange Act (at any time after it has become subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company filed with the Commission; and such other reports and documents as a Holder may reasonably request in connection with availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration; and

(d) Expeditiously process a Holder's request to complete a stock transfer that complies with the requirements of SEC Rule 144.

SECTION 3. COVENANT OF SHAREHOLDERS

Each of the Shareholders and their permitted assigns (under Section 2.8 above) agrees not to sell, exchange or otherwise dispose of any shares of Common Stock in connection with a Covered Transaction without ensuring that all other stockholders of the Company have a reasonable opportunity to sell, exchange, or otherwise dispose of shares of Common Stock (or the same Proportionate Percentage of shares of Common Stock owned of record by each other stockholder of the Company) at approximately the same time, at the same price (except as provided in the last sentence of this Section 3), and on substantially the same terms as apply to the Shareholders in connection with the Covered Transaction. A "Covered Transaction" means (a) a transaction in which a Change in Control of the Company occurs during the term of this Agreement by merger, share exchange, stock sale, or tender offer, or (b) a 15% Sale. The term "Covered Transaction" does not include, and the foregoing restrictions do not apply to, any sale of shares of Common Stock (1) in a transaction by any of the Shareholders under Rule 144 of the Commission, (2) in a transaction pursuant to any sale on the New York Stock Exchange (or any other national securities exchange on which the Common Stock is listed), (3) any sale, exchange, or other disposition of Common Stock other than to a single Exchange Act Person pursuant to a registration statement filed with the Commission, provided, that this clause (3) shall not limit, or be interpreted to limit, any sale, exchange or other disposition permitted by clause (5) below or any other clause in this sentence, (4) any sale, exchange, or other disposition to or with any family member of any Shareholder or any affiliate of any Shareholder, or (5) any sale, exchange, or other disposition to or with any institutional investor, such as a mutual fund, in the ordinary course of such institutional investor's business, provided that the exceptions described in (1) and (2) above shall only apply to open market transactions. The term "15% Sale" means (i) a sale, exchange, or other disposition of shares of Common Stock, (ii) other than in connection with a Change of Control, (iii) which occurs in a single transaction or in a series of related transactions, (iv) over any 24-month period (the first day of which occurs after the Effective Date), (v) by the Shareholders and/or their permitted assigns (under Section 2.8 above) individually or as a group, (vi) of Common Stock representing 15 percent or more of the outstanding shares of Common Stock of the Company (measured on the date of the sale, exchange or other disposition), (vii) to a single Exchange Act Person. "Proportionate Percentage" means the percentage (expressed as a decimal), determined as of the record date of any Covered Transaction or, if there is no record date for such Covered Transaction, the date immediately prior to the closing date of such Covered Transaction, equal to the number of shares of Common Stock being sold, exchanged, or otherwise disposed of by the Shareholders as a group, divided by the aggregate number of shares of Common Stock owned by the Shareholders as a group. If a series of related transactions is deemed to be a 15% Sale, the price per share of Common Stock applicable to the transaction that causes such series to be a 15% Sale (*i.e.,* the first transaction that causes the series of related transactions to become a 15% Sale) will be the price per share that is applicable to sales, exchanges, or other dispositions of shares of Common Stock by the other stockholders of the

Company as required by the first sentence of this Section 3, provided that such price is not established to intentionally avoid the intent of this Section 3.

SECTION 4. MISCELLANEOUS.

4.1 Governing Law. This Agreement shall be governed by and construed under the laws of the state of Delaware. The parties agree that any action brought by either party under or in relation to this Agreement, including without limitation to interpret or enforce any provision of this Agreement, shall be brought in, and each party agrees to and does hereby submit to the jurisdiction and venue of, any state or federal court located in the County of Denver, Colorado.

4.2 Successors and Assigns. Except as otherwise expressly provided in this Agreement, the provisions shall inure to the benefit of, and be binding upon, the parties to this Agreement and their respective successors, permitted assigns, heirs, executors, and administrators and shall inure to the benefit of and be enforceable by each person who is a holder of Registrable Securities from time to time, but, prior to the receipt by the Company of adequate written notice of the transfer of any Registrable Securities specifying the full name and address of the transferee, the Company may deem and treat the person listed as the holder of such shares in its records as the absolute owner and holder of such shares for all purposes, including the payment of dividends or any redemption price.

4.3 Entire Agreement. This Agreement (including the Exhibits and Schedules to this Agreement) constitutes the full and entire understanding and agreement between the parties with regard to the subjects, and no party shall be liable or bound to any other in any manner by any oral or written representations, warranties, covenants and agreements except as specifically set forth in this Agreement. Each party expressly represents and warrants that it is not relying on any oral or written representations, warranties, covenants or agreements outside of this Agreement.

4.4 Severability. If one or more of the provisions of this Agreement, for any reason, is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained in this Agreement.

4.5 Amendment and Waiver.

(a) Except as otherwise expressly provided, this Agreement may be amended or modified only upon the written consent of the Company and the Holders of at least a majority of the Registrable Securities then outstanding.

(b) Except as otherwise expressly provided, the obligations of the Company and the rights of the Holders under this Agreement may be waived only with the written consent of the Holders of at least a majority of the Registrable Securities then outstanding.

(c) For the purposes of determining the number of Holders entitled to vote or exercise any rights under this Agreement, the Company shall be entitled to rely solely on the list of record holders of its stock as maintained by or on behalf of the Company.

4.6 Delays or Omissions. It is agreed that no delay or omission to exercise any right, power, or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement shall impair any such right, power, or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent, or approval of any kind or character on any party's part of any breach, default or noncompliance under the Agreement or any waiver on such party's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to any party, shall be cumulative and not alternative.

4.7 Notices. Any notice, request, demand, waiver or other communication required or permitted to be given under this Agreement to any party will be in writing and will be deemed to have been duly given only if delivered in person or by first class, prepaid, registered or certified mail, or delivered by courier or, if receipt is confirmed, delivery by telecopier:

To the Company:	StarTek, Inc. 100 Garfield Street Denver, Colorado 80206 Attention: President Telecopy: (303) 388-9970
With a copy (which will not constitute notice) to:	
	Faegre & Benson LLP 3200 Wells Fargo Center 1700 Lincoln Street Denver, Colorado 80203 Attention: Blair L. Lockwood Telecopy: (303) 607-3600
To AES:	A. Emmet Stephenson, Jr. 100 Garfield Street Denver, Colorado 80206 Telecopy: (303) 568-7873
With a copy (which will not constitute notice) to:	
	Sherman & Howard L.L.C. 633 Seventeenth Street, Suite 3000 Denver, Colorado 80202 Attention: James F. Wood Telecopy: (303) 298-0940

Any party may change the address to which notices are required to be sent by giving notice of such change in the manner provided in this Section. All notices will be deemed to have been given on the date of delivery which in the case of deliveries by telecopier will be the date of the sender's confirmation (or, if delivered after business hours, on the next business day in Denver, Colorado).

4.8 Attorneys' Fees. If any suit or action is instituted under or in relation to this Agreement, including without limitation to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

4.9 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

4.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

4.11 Aggregation of Stock. All shares of Registrable Securities held or acquired by affiliated entities or persons or persons or entities under common management or control shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

4.12 Pronouns. All pronouns contained in this Agreement, and any variations t, shall be deemed to refer to the masculine, feminine or neutral, singular or plural, as to the identity of the parties to this Agreement may require.

[THIS SPACE INTENTIONALLY LEFT BLANK]

COMPANY:	**SHAREHOLDERS:**
STARTEK, INC.	MASSET Trust
Signature: ______________________________	______________________________ Pamela S. Oliver, Trustee
Name: William E. Meade, Jr.	
Title: President and Chief Executive Officer	FASSET Trust
	______________________________ By: Pamela S. Oliver, Trustee
	______________________________ A. Emmet Stephenson, Jr.
	______________________________ Toni E. Stephenson

EXHIBIT A

SCHEDULE OF SHAREHOLDERS

	Number of Shares
A. Emmet Stephenson, Jr.	3,350,882
Toni E. Stephenson	3,313,882
MASSET Trust	993,462
FASSET Trust	993,462

EXHIBIT 10.48

INVESTOR RIGHTS AGREEMENT

This Investor Rights Agreement (this "Agreement") is made as of February 13, 2004 between StarTek, Inc. (the "Company"), A. Emmet Stephenson, Jr. ("AES"), and Toni E. Stephenson ("TES"). This Agreement is effective only upon the occurrence of the closing of the offering of Common Stock of the Company that is being conducted for the sale of Common Stock by AES, TES, the FASSET Trust, and the MASSET Trust pursuant to a registration statement filed with the Commission on or about the date of this Agreement, and only if such date occurs not later than September 30, 2004. For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

Section 1. Nomination of Directors.

(a) Following the Company's 2004 annual meeting of the stockholders and until the Termination Date (as defined below), the Company will cause its Board of Directors (the "Board") or a committee of the Board to nominate all of the AES Nominees (as defined below) for membership on the Board at each annual meeting of the stockholders of the Company, or at any other meeting of the stockholders at which members of the Board are to be elected, and at every adjournment or postponement of any such meeting, but, if at any such meeting there is already a full slate of AES Nominees on the Board whose terms do not expire at such meeting, the Company will have no obligation to nominate any AES Nominees under this Agreement at such meeting. To the extent permitted by law and the Company's bylaws, the Company will cause all proxies received by the Company that (i) are marked "FOR" the election of any AES Nominee or (ii) grant voting discretion to management to be voted "FOR" the election of any AES Nominee eligible for election at such meeting.

(b) Following the Company's 2004 annual meeting of the stockholders and until the Termination Date, AES will have the right to nominate: (i) the number of members of the Board equal to one fewer than a majority of the then current number of members of the Board if there is an odd number of members of the Board or two fewer than a majority of the then current members of the Board if there is an even number of members of the Board, in either case if AES, AES's Family Members (as defined below) and AES's Affiliates (as defined below) hold, in the aggregate, 30 percent or more of the outstanding common stock of the Company; or (ii) one member of the Board if AES, AES's Family Members and AES's Affiliates hold, in the aggregate, 10 percent or more but less than 30 percent of the outstanding common stock of the Company (the "AES Nominees"). For purposes of determining the number of AES Nominees, the stock ownership of AES, AES's Family Members and AES's Affiliates will be measured on the record date for the relevant meeting of the stockholders or a vacancy on the Board exists, as applicable. This Agreement will be interpreted in such a manner that AES or the Company, as the case may be, will have the right to nominate a director to fill any vacancy on the Board whether created by the resignation, death, disability, or removal of any director, or by the increase or decrease in the number of directors on the Board so as to meet the numerical requirements of clauses (i) and (ii) above.

As used in this Agreement, (x) the term "Family Member" means any spouse, ancestor, descendant (whether by blood or by adoption), any spouse of such descendant, or any trust for the primary benefit of any one or more of such individuals (as long as such trust is described in Section 1361(c)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), or is treated as described in that section by reason of Section 1362(d) of the Code); and (y) the term "Affiliate" means, with respect to any person, any other person controlling, controlled by or under common control with such person, and "control" means the ownership, directly or indirectly, of voting securities representing the right generally to elect a majority of the directors (or similar officials) of a person or the possession, by contract or otherwise, of the authority to direct the management and policies of a person.

(c) The Company will include in its proxy materials for each annual meeting or special meeting of the stockholders at which members of the Board are to be elected ("Proxy Materials") the Board's unanimous recommendation in favor of, and will not take any action to prevent, subject to the Board's fiduciary duties under applicable law, the election of any AES Nominees eligible for election or re-election at such meeting. AES will provide information about the AES Nominees reasonably requested by the Company for use in the Proxy Materials.

(d) Until the Termination Date, if any AES Nominee (or any replacement of an AES Nominee) ceases to serve as a member of the Board for any reason, the Company will promptly take such actions as are necessary or desirable to appoint or elect as a member of the Board a replacement AES Nominee. The Board will either appoint or cause to be elected each replacement AES Nominee within one week of receiving AES's replacement nomination. The foregoing notwithstanding, if the appointment or election of a replacement AES Nominee would result in AES Nominees comprising more than the number of AES Nominee members of the Board contemplated by Section 1(b) above, the Company will have no obligation to cause the election or appointment of such AES Nominee under this Section 1(d).

(e) Once appointed or elected to the Board, each AES Nominee may be removed only in accordance with the Company's currently existing bylaws and applicable Delaware law and will be entitled to all the rights, privileges and protections available to any member of the Board.

(f) The Company will provide AES and his counsel reasonable opportunity to review the Proxy Materials for any stockholders' meeting, and will not file such Proxy Materials with the U.S. Securities and Exchange Commission if AES has reasonable objections to the information included in such Proxy Materials relating to the AES Nominees, this Agreement or the subject matter of this Agreement.

Section 2. Amendments to the Company's Bylaws. Following the effective date of this Agreement and until the Termination Date, the Board may not take any action to amend or cause to be amended Article II, Section 6 (concerning the rights of the stockholders of the Company to cause the Company to call special meetings of the stockholders) of the Company's bylaws in effect on the date of this Agreement (as amended on such date) without AES's prior written consent.

Section 3. Representations.

(a) The Company represents and warrants that this Agreement has been duly authorized, executed and delivered by the Company, and is a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

(b) The Company represents and warrants that the Board, by resolutions previously adopted, has taken all action of the Board necessary to authorize this Agreement.

Section 4. Termination. The Company's obligations under this Agreement will terminate immediately and permanently if AES ceases to beneficially own (as determined under Rule 13-d promulgated under the Securities Exchange Act of 1934, as amended) at least ten percent of the outstanding common stock of the Company (the "Termination Date"). If AES dies or is declared legally incompetent, TES will succeed to and have the power to exercise all of AES's rights under this Agreement. If TES dies or is declared legally incompetent (following the death or declaration of legal incompetence of AES), then the estate of TES will succeed to and have the power to exercise all of AES's rights under this Agreement until its termination.

Section 5. Miscellaneous.

(a) Specific Performance. The parties acknowledge that the unique nature of this Agreement renders money damages an inadequate remedy for the breach by either party of its obligations under this Agreement, and the parties agree that in the event of such a breach, the other party will, upon proper action instituted by it, be entitled to a decree of specific performance of this Agreement or other equitable relief.

(b) Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware (other than its rules of conflicts of law to the extent that the application of the laws of another jurisdiction would be required by such rules).

(c) Entire Agreement; Amendment. This Agreement contains the entire agreement of the parties with respect to the subject matter of this Agreement, and supersedes all prior oral or written agreements and understandings with respect to such subject matter. This Agreement may not be amended or modified, except by a writing signed by each of the parties.

(d) Severability. Any term or provision of this Agreement that is invalid or unenforceable will be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining rights of the party intended to benefit from such provision or any other provisions of this Agreement.

(e) Waiver. Neither this Agreement nor any of its provisions may be waived except in writing. The failure of either party to enforce any right arising under this Agreement on one or more occasions will not operate as a waiver of that or any other right on that or any other occasion.

(f) Attorneys' Fees. If either party brings an action at law or equity to enforce this Agreement and prevails, such party will be entitled to recover from the other party all reasonable attorneys' fees and costs as established by the court.

(g) Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original.

(h) Construction. This Agreement has been negotiated by the parties and their respective legal counsel, and legal or other equitable principles that might require the construction of this Agreement or any provision of this Agreement against the party drafting this Agreement will not apply in any construction or interpretation of this Agreement.

(i) Notices. Any notice, request, demand, waiver or other communication required or permitted to be given under this Agreement to any party will be in writing and will be deemed to have been duly given only if delivered in person or by first class, prepaid, registered or certified mail, or delivered by courier or, if receipt is confirmed, delivery by telecopier:

To the Company:	StarTek, Inc. 100 Garfield Street Denver, Colorado 80206 Attention: President Telecopy: (303) 388-9970
With a copy (which will not constitute notice) to:	
	Faegre & Benson LLP 3200 Wells Fargo Center 1700 Lincoln Street Denver, Colorado 80203 Attention: Blair L. Lockwood Telecopy: (303) 607-3600
To AES or TES:	A. Emmet Stephenson, Jr. 100 Garfield Street Denver, Colorado 80206 Telecopy: (303) 568-7873
With a copy (which will not constitute notice) to:	
	Sherman & Howard L.L.C. 633 Seventeenth Street, Suite 3000 Denver, Colorado 80202 Attention: James F. Wood Telecopy: (303) 298-0940

Any party may change the address to which notices are required to be sent by giving notice of such change in the manner provided in this Section. All notices will be deemed to have been given on the date of delivery which in the case of deliveries by telecopier will be the date of the sender’s confirmation (or, if delivered after business hours, on the next business day in Denver, Colorado).

The parties have executed this Agreement as of the date first above written.

STARTEK, INC.

By: ______________________________

Name: William E. Meade, Jr.
Title: President and Chief Executive Officer

By: ______________________________

Name: A. Emmet Stephenson, Jr.

By: ______________________________

Name: Toni E. Stephenson

EXHIBIT 10.49

INDEMNIFICATION AGREEMENT

AGREEMENT dated effective as of February 13, 2004**,** between StarTek, Inc., a Delaware corporation (the "Company"), and (the "Indemnitee").

WHEREAS, it is essential to the Company to retain and attract as directors and officers the most capable persons available; and

WHEREAS, Indemnitee is or wishes to serve as a director and/or officer of the Company; and

WHEREAS, Article VIII of the Certificate of Incorporation of the Company and Article V of the By-Laws of the Company require the Company to indemnify and advance expenses to its directors and officers to the full extent authorized and permitted by the Delaware General Corporation Law, and allows for the provision of additional indemnification rights to directors or officers by separate agreement; and

WHEREAS, Indemnitee has been serving and continues to serve, or will serve, as a director and/or officer of the Company in part in reliance on such provisions of the Certificate of Incorporation and By-Laws; and

WHEREAS, the DGCL contains a provision stating that the indemnification provisions of the DGCL are not to be deemed exclusive of any other rights to which persons seeking indemnification may be entitled under any By-Law of the Company, any agreement or otherwise; and

WHEREAS, Article V of the Company's By-Laws provides that the indemnification and expense advances provided by or granted pursuant to Article V shall not be deemed exclusive of any other rights to which those seeking indemnification or expense advances may be entitled under any agreement; and

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to encourage Indemnitee's service to the Company in an effective manner, the Company wishes to provide in this Agreement for the indemnification of, and the advancing of expenses to, Indemnitee to the fullest extent (whether partial or complete) authorized and permitted by law and the Company's By-Laws, and to such extent as may be provided for in this Agreement; and

WHEREAS, to the extent insurance is maintained the Company wishes to provide in this Agreement for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies.

NOW, THEREFORE, in consideration of the premises and of Indemnitee's service or continued service to the Company directly or, at its request, to any other Enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

1. CERTAIN DEFINITIONS. Capitalized words not otherwise defined herein shall have the following meanings:

a. "Claim" shall mean any threatened, pending or completed action, suit or proceeding, or alternative dispute resolution mechanism, or any inquiry or investigation, whether instituted by the Company or any other party (including, without limitation, in the right of the Company).

b. "DGCL" shall mean the Delaware General Corporation Law, as amended from time to time.

c. "Enterprise" shall mean any enterprise other than the Company, including any corporation, partnership, joint venture, limited liability company, trust, employee benefit plan or other entity or enterprise.

d. "Expenses" shall mean (i) all costs, expenses and obligations (including attorneys' fees and costs, the fees and costs of consultants and experts, and reasonable out-of-pocket travel costs incurred by any of such persons or by Indemnitee), incurred in connection with investigating, defending, being a witness in, being interviewed in connection with, or participating in (including on appeal), or preparing to defend, to be a witness in, to be interviewed by, or to participate in, any Claim relating to any Indemnifiable Event, (ii) any judgment, fine, penalty or amount to be paid in settlement of any Claim relating to an Indemnifiable Event, and (iii) any federal, state, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement.

e. "Indemnifiable Event" shall mean any circumstance, event or occurrence related to the fact that Indemnitee is or was a director or officer of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of any other Enterprise, or by reason of anything done or not done, or alleged to have been done or not done, by Indemnitee in any such capacity.

f. "Independent Legal Counsel" shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have been retained by or otherwise performed services for the Company or Indemnitee within the previous three years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements).

g. "Reviewing Party" shall mean, as to any situation in which Indemnitee is an officer or director at the time of the determination, (i) directors of the Company who are not parties to the Claim or a committee of such directors designated by majority vote of such directors (each of which shall make decisions by majority vote), (ii) if there are no such directors, or if such directors so direct, by Independent Legal Counsel, or (iii) such other person(s) who may be designated as provided by the DGCL. "Reviewing Party" shall mean, as to any situation in which Indemnitee is not an officer or a director at the time of the determination, Independent Legal Counsel.

2. BASIC INDEMNIFICATION ARRANGEMENT.

a. General Rules. Subject to the provisions of Section 8 hereof, in the event Indemnitee was, is or becomes a party to or witness or other participant in, or is interviewed in connection with, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent authorized and permitted by law, the Company's By-Laws and the terms of this Agreement, as soon as practicable but in any event no later than thirty (30) days after written demand is presented to the Company, against any and all Expenses.

Notwithstanding the foregoing sentence, in no event shall Indemnitee be entitled to indemnification pursuant to this Agreement for any liability finally adjudged by a court of competent jurisdiction (and after the exhaustion or lapse of all rights of appeal) to have arisen (x) under Section 16(b) of the Securities Exchange Act of 1934; (y) under federal or state securities laws for actions or conduct specifically found to constitute "insider trading", or (z) from actions or conduct on the part of Indemnitee which is specifically found to constitute fraud or bad faith, or to have created an unlawful personal benefit to Indemnitee; provided, however, to the extent any of the foregoing conduct is raised as a defense to indemnification of Indemnitee, such defense shall be permitted only as to Claims specifically and solely involving the foregoing, and to the extent the indemnification request also involves Claims or portions of Claims not involving the foregoing or as to which the foregoing are only a part, the extent of Indemnitee's indemnification shall be governed by the provisions of Section 5 hereof.

The Company shall advance all Expenses incurred by Indemnitee as soon as practicable but in any event no later than five (5) business days after the Company is presented with a written demand by Indemnitee for payment of such Expenses (an "Expense Advance"), subject only to the reimbursement obligation of Indemnitee as provided in Section 2(b)(ii). Expenses incurred in defending any proceeding shall be advanced by the Company prior to the final disposition of the proceeding. In submitting any invoice for such Expenses, Indemnitee shall not be required to submit any information which Indemnitee has been advised by Indemnitee's counsel could reasonably be expected to result in the waiver of the attorney-client privilege or would constitute attorney work product.

b. Conditions. Notwithstanding the provisions of Section 2(a) hereof:

(i) the obligations of the Company to indemnify Indemnitee pursuant to Section 2(a) hereof shall be subject to the condition that the Reviewing Party shall have determined (in a written opinion (which may be a so-called “reasoned opinion” in any case in which Independent Legal Counsel is the Reviewing Party) that Indemnitee would be permitted to be indemnified under the DGCL, and under the Company’s Certificate of Incorporation or By-laws or this Agreement; and

(ii) an Expense Advance to Indemnitee pursuant to Section 2(a) hereof shall be subject to the condition that, if, when and to the extent that the Reviewing Party is unable to determine that Indemnitee would be permitted to be so indemnified under applicable law, or under the Company’s Certificate of Incorporation or By-laws or this Agreement, the Company shall be entitled to reimbursement by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid. (If the Reviewing Party is Independent Legal Counsel, such inability to make such determination shall be deemed to have occurred if Independent Legal Counsel is unable to provide a written opinion, which may be a so-called “reasoned opinion,” that Indemnitee would be permitted to be so indemnified under applicable law, or under the Company’s Certificate of Incorporation or By-laws or this Agreement.) Indemnitee’s obligation, if any, to reimburse the Company for any Expense Advance shall be unsecured and no interest shall be charged on such obligation, and the Expense Advance shall be made without any right of the Company to demand from Indemnitee any information or assurances concerning Indemnitee’s ability to repay the Expense Advance; but

(iii) No determination under clause (i) above shall be required to the extent that Indemnitee has been successful on the merits or otherwise in defense of any Claim or as to any issue or issues arising in connection with such Claim.

c. Judicial Review. If a Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law or if the Reviewing Party does not make such determination within 30 days after Indemnitee requests that a determination be made, Indemnitee shall have the right to commence litigation in any court of competent jurisdiction and in which venue is proper seeking an initial determination by the court or challenging any such determination by a Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. If Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by a Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed).

3. SELECTION OF INDEPENDENT LEGAL COUNSEL. If the Reviewing Party is Independent Legal Counsel, then with respect to all matters concerning the rights of Indemnitee to indemnity payments and Expense Advances under this Agreement, the Company's Certificate of Incorporation or By-laws or any other agreement now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). If the Reviewing Party is Independent Legal Counsel, then Independent Legal Counsel shall render its written opinion (which may be a so-called "reasoned opinion") to the Company and Indemnitee whether and to what extent Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of such Independent Legal Counsel and to fully indemnify such Independent Legal Counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

4. INDEMNIFICATION FOR ADDITIONAL EXPENSES. The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees and costs, the fees and costs of consultants and experts, and reasonable out-of-pocket travel costs incurred by any of such persons or by Indemnitee), and, if requested by Indemnitee, shall (within two (2) business days after such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee (a) for indemnification or advance payment of Expenses by the Company under this Agreement, the Company's Certificate of Incorporation or By-laws or any other agreement now or hereafter in effect relating to Claims for Indemnifiable Events, and (b) for recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

5. PARTIAL INDEMNITY, ETC. If Indemnitee is entitled under any provision of Delaware law, the Company's Certificate of Certificate or By-laws or this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts reasonably paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts reasonably paid in settlement) of a Claim but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith, but if such indemnification is specifically determined to be unlawful, then Indemnitee shall be entitled to a fair apportionment of Expenses so that Indemnitee receives indemnification to the maximum extent lawful.

6. BURDEN OF PROOF. In connection with any determination by a Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. PRESUMPTIONS. For purposes of this Agreement, the termination of any Claim, action, suit or proceeding, by judgment, order or reasonable settlement (whether with or without court approval), shall create a presumption that Indemnitee is entitled to indemnification with respect to such Claim, action, suit or proceeding unless such judgment, order or settlement specifically provides or establishes that Indemnitee did not meet any particular standard of conduct or have any particular belief necessary to indemnification, or specifically states, in the case of a judgment or court-approved settlement, that the court has determined that indemnification is not permitted by applicable law. For purposes of this Agreement, the termination of any criminal action or proceeding upon a plea of nolo contendere or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that the court in such action or proceeding has determined that indemnification is not permitted by applicable law. In addition, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law, neither the failure of a Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by a Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, shall be a defense to Indemnitee’s claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

8. NOTIFICATION OF ACTION, ETC.; ASSUMPTION BY COMPANY OF CONDUCT OR DEFENSE OF SAME.

a. Notification. Promptly after receipt by Indemnitee or the Company, of any notice or document respecting the commencement of any action, suit, proceeding, inquiry or investigation which names, involves or may involve Indemnitee relating to any matter concerning which Indemnitee may be entitled to indemnification or advancement of Expenses pursuant to this Agreement, the DGCL, or the Certificate of Incorporation or By-laws of the Company, the party receiving such notice or document will promptly notify the other of the receipt of same, but the failure on the part of Indemnitee to so notify the Company will not relieve the Company from any obligation or liability which it may have to Indemnitee for indemnification or advancement of Expenses pursuant to this Agreement, the DGCL, the Certificate of Incorporation or By-laws of the Company.

b. Expense Advance; Assumption of Conduct or Defense. With respect to any such action, suit, proceeding, inquiry or investigation:

(i) if Indemnitee intends to request an Expense Advance, Indemnitee will provide the Company prior notice of Indemnitee's intention to incur Expenses and seek an Expense Advance; and

(ii) except as otherwise provided below, to the extent that it may deem desirable, the Company, individually, or jointly with any other indemnifying party, may assume the conduct or defense of such action, suit, proceeding, inquiry or investigation, but if the Company elects to assume the conduct or defense thereof, it will notify Indemnitee of its choice of legal counsel and offer Indemnitee an opportunity to discuss such choice of legal counsel with one of the Company's executive officers. After notice from the Company to Indemnitee of the Company's election to assume the conduct or defense thereof, the Company will not be liable to Indemnitee under this Agreement for any legal fees or expenses of counsel or fees and costs of consultants or experts to Indemnitee subsequently incurred by Indemnitee in connection with the defense thereof, other than reasonable costs of investigation, except as otherwise approved by the Company or as provided below in clauses (A) and (B) of this Section 8(b)(ii), and except that the Company will continue to be liable to Indemnitee for other Expenses that do not constitute legal fees or expenses of counsel or fees and costs of consultants and experts to Indemnitee. Upon the Company's assumption of the conduct or defense of such action, suit, proceeding, inquiry or investigation as provided herein, Indemnitee shall have the right to employ counsel to represent Indemnitee in such action, suit, proceeding, inquiry or investigation but the fees and expenses of such counsel incurred after the Company's assumption of the conduct or defense thereof shall be at the expense of Indemnitee unless (A) counsel to Indemnitee has reasonably concluded that there is a material conflict of interest between the Company and Indemnitee in the conduct or defense of such action, suit, proceeding, inquiry or investigation, or (B) the Company has not in fact employed counsel in a timely manner to assume the conduct or defense of such action, suit, proceeding, inquiry or investigation, or fails at any time to diligently act in the conduct or defense of such action, suit, proceeding, inquiry or investigation, in each of which cases the Expenses of Indemnitee shall be advanced or reimbursed in accordance with the provisions of this Agreement on a going forward basis beginning on the date that an event or circumstance described in (A) or (B) has occurred. The Company shall not settle any action, suit, proceeding, inquiry or investigation in any manner which would impose on Indemnitee any penalty or limitation, financial or otherwise, or which does not result in an unconditional release of Indemnitee from all claims arising in connection with such action, suit, proceeding, inquiry or investigation, unless in any such case Indemnitee gives Indemnitee's written consent, which Indemnitee may withhold in Indemnitee's discretion.

9. NONEXCLUSIVITY, ETC. The rights of Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the provisions of the Company's Certificate of Incorporation or By-Laws, the DGCL or otherwise. To the extent that a change

in the DGCL (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the provisions of the Company's Certificate of Incorporation or By-Laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. In the event of any change in the DGCL (whether by statute or judicial decision) which narrows the right of a Delaware corporation to indemnify a member of its board of directors or an officer, employee, agent or fiduciary, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder. To the extent that there is a conflict between the Company's Certificate of Incorporation or By-Laws and the provisions of this Agreement, it is the desire of the parties hereto that such conflict be resolved by affording Indemnitee the broadest indemnification permissible under Delaware law, the Company's Certification of Incorporation, the Company's By-Laws or the provisions of this Agreement. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though Indemnitee may have ceased to be an officer or director of the Company or to serve any capacity for which an Indemnifiable Event may occur.

10. LIABILITY INSURANCE. The Company agrees to maintain directors' and officers' liability insurance at levels as high as, with scopes of coverage as broad as, and with insurers as well rated as that insurance maintained by the Company as of the date of this Agreement, for a period of at least five years after Indemnitee ceases to be an officer or director of the Company. To the extent the Company maintains any other insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer, and such coverage shall continue for the benefit of Indemnitee after Indemnitee ceases to be an officer or director of the Company or to serve in any other capacity for which an Indemnifiable Event could occur. The Company will cause the insurer under any policy described in this Section 10 to provide to Indemnitee a certificate to the effect that no amendment, cancellation, termination, reduction in coverage, or other change in the policy will become effective unless the insurer has given at least 30 days' notice to Indemnitee.

11. PERIOD OF LIMITATIONS. No legal action shall be brought by the Company, and no cause of action shall be asserted by or in the right of the Company, against Indemnitee, Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of one year from the date such cause of action arises, and any claim or cause of action by or in the right of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such one-year period, but if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern. Indemnitee shall not be prohibited from bringing an action against the Company under this Agreement by virtue of any statute of limitations or by virtue of the doctrines of estoppel or laches, and the Company waives all rights under any such statutes and doctrines.

12. ATTRIBUTION OF OTHERS' ACTIONS OR CONDUCT. In connection with determinations respecting Indemnitee's rights to indemnification and Expense Advances pursuant to Delaware law, the Company's Certificate or By-laws or this Agreement, or Indemnitee's rights to any other benefits conferred thereunder or hereunder, the actions or conduct of other persons, including officers of the Company or other members of the Company's Board of Directors, shall not be attributed to Indemnitee absent specific proof that Indemnitee had actual knowledge of such actions or conduct and specifically approved such actions or conduct in writing or at a properly called meeting at which minutes of proceedings were kept and votes of participants recorded.

13. AMENDMENTS, ETC. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

14. SUBROGATION. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all necessary documents and take all necessary action to enable the Company to exercise such rights.

15. NO DUPLICATION OF PAYMENTS. The indemnification provisions of this Agreement do not limit the right of Indemnitee to recover under any insurance policy maintained by the Company. If, with respect to any Expenses, Indemnitee receives an insurance policy indemnification payment which, together with any indemnification payment made by the Company, exceeds the amount of the Expenses, then Indemnitee will promptly repay the excess to the Company.

16. BINDING EFFECT, ETC. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, executors and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect, and whether by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer or director of the Company, or as a director, officer, employee, trustee, agent or fiduciary of any other Enterprise at the Company's request.

17. ATTORNEYS' FEES. In the event that any action is instituted by Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee with respect to such action, regardless of whether Indemnitee is ultimately successful in such action, and shall be entitled to the advancement of Expenses with respect to such action. In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee in defense of such action (including costs and expenses incurred with respect to Indemnitee's counterclaims and cross-claims made in such action), and shall be entitled to the advancement of Expenses with respect to such action.

18. SEVERABILITY. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law.

19. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such State without giving effect to the principles of conflicts of laws.

20. NOTICES. Any notice, request, demand, waiver or other communication required or permitted to be given under this Agreement to any party will be in writing and will be deemed to have been duly given only if delivered in person or by first class, prepaid, registered or certified mail, or delivered by courier or, if receipt is confirmed, delivery by telecopier:

To the Company:

StarTek, Inc.
100 Garfield Street
Denver, Colorado 80206
Attention: President
Telecopy: (303) 388-9970

With a copy (which will not constitute notice) to:

Faegre & Benson LLP
3200 Wells Fargo Center
1700 Lincoln Street
Denver, Colorado 80203
Attention: Blair L. Lockwood
Telecopy: (303) 607-3600

To Indemnitee:

____

____

____

Telecopy: ______________________________

Any party may change the address to which notices are required to be sent by giving notice of such change in the manner provided in this Section. All notices will be deemed to have been given on the date of delivery which in the case of deliveries by telecopier will be the date of the sender's confirmation (or, if delivered after business hours, on the next business day in Denver, Colorado).

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above.

STARTEK, INC., a Delaware corporation

By: ______________________________

Name: ______________________________

Title: ______________________________

INDEMNITEE

____

EXHIBIT 10.50

Promissory Note

Wells Fargo Equipment Finance, Inc.
733 Marquette Avenue, Suite 700
MAC N9306-070
Minneapolis, MN 55402

Dated as of February 24, 2004

*For value received, the undersigned, hereby promises to pay to the order of Wells Fargo Equipment Finance, Inc. (the "Lender") at its office in Minneapolis, Minnesota, or at such other place as may be designated from time to time by the holder hereof, the sum of **$10,762,944.00** in installments according to the schedule set forth below; provided, however, that the undersigned and the Lender may agree to any other payment schedule, in which case any variations shall be set forth in the space provided for additional provisions. The first payment period shall begin on the 15th day of the month in which Lender disburses the loan proceeds if disbursement is made on or before the 15th day of such month, and the first payment period shall begin on the last day of such month if disbursement is made during the balance of such month. The first installment shall be payable on the first payment due date set forth below (which may be the same as the date the first payment period begins). Subsequent installments shall be payable on the first day of each payment period beginning after the first payment period. The undersigned agrees that the date the first payment period begins may be left blank when this Note is executed and hereby authorizes Lender to insert such date based upon the date the loan proceeds are disbursed.*

PAYMENT SCHEDULE:

Date first payment period begins:
Number of Installments: ***48***
Payment period: ***Monthly***
Principal amount of loan proceeds disbursed: ***$10,000,000.00***

First payment due:
Amount of each installment: ***$224,228.00***
Annual Interest rate used in computing payment schedule: ***3.65%***

In addition to installment payments as set forth above, the undersigned agrees to pay Lender interim interest on the loan proceeds disbursed hereunder from the date of disbursement to the date the first payment period begins at the annual interest rate set forth above used in computing the payment schedule. Interim interest shall be due and payable on the date the first payment period begins.

If any installment is not paid when due, then in addition to any other remedy Lender may have hereunder, Lender may impose and, if imposed, the undersigned shall pay a late charge of 5% of the amount of the delinquent installment but in any event not more than permitted by applicable law. Payments thereafter received shall be applied first to delinquent installments and then to current installments.

This Note may be prepaid in whole or in part at anytime and from time to time but only if accompanied by a prepayment premium in an amount equal to the greater of 2% or the amount determined in accordance with the following formula:

$$L = \frac{(R-T) \times P \times D}{360}$$

L = amounts payable to Lender as a prepayment premium

R = the interest rate of United States Treasury instruments of similar duration as this Note as of the date the first payment period begins

T = the interest rate of United States Treasury instruments of similar duration as this Note as of the prepayment date

P = the amount of principal prepaid

D = the number of days remaining until maturity of this Note as of the date of such prepayment

Any partial prepayment shall be applied to the last maturing installment or installments. Upon any prepayment in full, the unearned portion of the interest will be refunded using the simple interest method.

The following shall constitute an Event of Default hereunder: (a) failure to pay any installment hereunder when due; (b) the occurrence of an event of default as defined in any security agreement or mortgage securing this Note; (c) the commencement of any bankruptcy or insolvency proceedings by or against the undersigned or any guarantor of this Note; and (d) any indebtedness the undersigned may now or hereafter owe to Lender or any affiliate thereof shall be accelerated following a default thereunder or, if any such indebtedness is payable on demand, payment thereof shall be demanded. Upon the occurrence of an Event of Default, Lender may do any one or more of the following as it may elect: (i) upon written notice to the undersigned, declare the entire unpaid balance of the Note to be immediately due and payable, and the same (less unearned interest computed using the simple interest method as if this Note had been paid in full on the date it became due and payable) shall thereupon be and become immediately due and payable: (ii) exercise any one or more of the rights and remedies available to it under any security agreement or mortgage securing this Note or under any other agreement or by law.

The undersigned hereby waives presentment, notice of dishonor, and protest. The undersigned agrees to pay all costs of collection of this Note, including reasonable attorneys' fees. The holder hereof may change the terms of payment of the Note by extension, renewal or otherwise, and release any security for, or party to, this Note and such action shall not release any accommodation maker, endorser, or guarantor from liability on this Note.

THIS AGREEMENT INCLUDES THE TERMS ON THE ATTACHED PAGE(S).

IN WITNESS WHEREOF the Debtor has signed this Agreement as of the date first above written.

StarTek USA, Inc.	*StarTek, Inc., Debtor*
Debtor	*Debtor*
By	*By*
Title	Title

Notwithstanding anything to the contrary contained herein, if the rate of interest, late payment fee, prepayment premium or any other charges or fees due hereunder are determined by a court of competent jurisdiction to be usurious, then said interest rate, fees and/or charges shall be reduced to the maximum amount permissible under applicable law and any such excess amounts shall be applied towards the reduction of the principal balance of this Note.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of Minnesota without regard to conflicts of law rules.

If this Note is signed by more than one person as Debtor, then the term "Debtor" shall refer to each of them separately and to all of them jointly, and each such person shall be liable hereunder individually in full and jointly with the others.

Each of the undersigned has determined and represents to Lender that it is in its best interests and in pursuance of its legitimate business purposes to induce Lender to extend credit pursuant to the terms of this Note. Each of the undersigneds acknowledges and represents that its business is related to the business of the other party, the availability of the advances and other credit extensions made under this Note will be for and inure to the benefit of the undersigneds, individually and together. Each of the undersigneds agree that it is jointly and severally liable to Lender for, and each of the undersigneds agrees to pay to Lender when due the full amount of all amounts payable under this Note, including without limitation all interest which accrues hereunder and all fees, costs and expenses chargeable to the undersigneds or either of them in connection with this Note. The liability of each of the undersigneds hereunder shall be reinstated and revived and the rights of Lender shall continue if and to the extent that for any reason any amount at any time paid on account of this Note is rescinded or must otherwise be restored by Lender, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as though such amount had not been paid. Each of the undersigneds authorizes Lender, without notice to or demand on the undersigned, and without affecting such undersigned's liability hereunder, from time to time to: (a) alter, compromise, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of, the liabilities and obligations of one of the undersigneds; (b) take and hold security from the other undersigned for the payment of this Note, and exchange, enforce, waive, subordinate or release any such security; (c) apply such security and direct the order or manner of sale thereof, including without limitation, a non-judicial sale permitted by the terms of the controlling security agreement, as Lender in its discretion may determine; (d) release or substitute any one or more of the endorsers or any guarantors of this Note, or any other party obligated thereon; and (e) apply payments received by Lender from one of the undersigneds to indebtedness of such undersigned to Lender other than this Note. Each of the undersigneds represents and warrants to Lender that it has established adequate means of obtaining from the other on a continuing basis financial and other information pertaining to the other's financial condition, and each of the undersigned agrees to keep adequately informed from such means of any facts, events or circumstances which might in any way affect its risks hereunder. Each of the undersigned further agrees that Lender shall have no obligation to disclose to it any information or material about the other which is acquired by Lender in any manner. Each of the undersigneds waives any right to require Lender to: (i) proceed against the other or any other person; (ii) proceed against or exhaust any security held from the other or any other person; (iii) pursue any other remedy in Lender's power; (iv) apply payments received by Lender from the other to this Note; or (v) make any presentments or demands for performance, or give any notices of nonperformance, protests, notices of protest or notices of dishonor in connection with this Note. Each of the undersigneds waives any defense to its liability for repayment of this Note based upon or arising by reason of: (i) any disability or other defense of the other or any other person; (ii) the cessation or limitation from any cause whatsoever, other than payment in full, of the liability of the other of the undersigneds; (iii) any lack of authority of any officer, director, partner, agent or other person acting or purporting to act on behalf of the other of the undersigneds or any defect in the formation of the other of the undersigneds; (iv) the application by the other of the undersigneds of the proceeds of the Note for purposes other than the purposes intended or understood by Lender or the undersigneds; (v) any act or omission by Lender which directly or indirectly results in or aids the discharge of the other of the undersigneds by operation of law or otherwise, or which in any way impairs or suspends any rights or remedies of Lender against the other of the undersigneds; (vi) any impairment of the value of any interest in any security for the Note, including without limitation, the failure to obtain or maintain perfection or recordation of any interest in any such security, the release of any such security without substitution, and/or the failure to preserve the value of, or to comply with applicable law in disposing of, any such security; or (vii) any modification of the obligations or liabilities of the other of the undersigneds including without limitation the renewal, extension, acceleration or other change in time for payment of, or other change in the terms of, the Note, including increase or decrease of the rate of interest thereon. Until this Note has been paid in full, neither of the undersigneds shall have any right of subrogation. Each of the undersigneds waives all rights and defenses it may have arising out of (A) any election of remedies by Lender, even though that election of remedies, such as a non-judicial foreclosure with respect to any security for the Note, destroys its rights of subrogation or its rights to proceed against the other of the undersigneds for reimbursement, or (B) any loss of rights it may suffer by reason of any rights, powers or remedies of the other of the undersigneds in connection with any anti-deficiency laws or any other laws limiting, qualifying or discharging either of the undersigneds hereunder, or otherwise. Until this Note has been paid in full, each of the undersigned's waives any right to enforce any remedy which Lender now has or may hereafter have against the other or any other person, and waives any benefit of, or any right to participate in, any security now or hereafter held by Lender.

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

NAME OF SUBSIDIARIES	STATE OF INCORPORATION	SUBSIDIARIES ARE DOING BUSINESS AS
StarTek USA, Inc.	Colorado	StarTek Teleservices, Inc. StarTek Technical Services, Inc. StarTek Internet, Inc. StarTek, Inc. StarPak, Inc. StarTek Services
StarTek Europe, Ltd.	Colorado	StarPak, Inc. StarPak International, Ltd.
StarTek Pacific, Ltd.	Colorado	StarTek Pacific, Ltd.
Domain.com, Inc.	Delaware	Domain.com, Inc.
StarTek Canada Services, Ltd.	Nova Scotia, Canada	StarTek Canada Services, Ltd.

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 StarTek, Inc. Director Stock Option Plan of our report dated February 24, 2004, with respect to the consolidated financial statements of StarTek Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 2003.

ERNST & YOUNG LLP

Denver, Colorado
March 8, 2004

EXHIBIT 31.1

CERTIFICATIONS

I, William E. Meade, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Startek, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

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

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

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

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

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

Date: March 8, 2004

/s/ WILLIAM E. MEADE, JR.

William E. Meade, Jr.
President, Chief Executive Officer, and Director

EXHIBIT 31.2

CERTIFICATIONS

I, Eugene L. McKenzie, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Startek, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

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

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

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

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

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

Date: March 8, 2004

/s/ EUGENE L. MCKENZIE, JR.

Eugene L. McKenzie, Jr.
Executive Vice President, Chief Financial Officer, Secretary and Treasurer

EXHIBIT 32.1

CERTIFICATIONS

I, William E. Meade, Jr., Chief Executive Officer of StarTek Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2004

/s/ WILLIAM E. MEADE, JR.

William E. Meade, Jr.
President, Chief Executive Officer, and Director

EXHIBIT 32.2

CERTIFICATIONS

I, Eugene L. McKenzie, Jr., Chief Financial Officer of StarTek Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2003 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2004

/s/ EUGENE L. MCKENZIE, JR.

Eugene L. McKenzie, Jr.
Executive Vice President, Chief Financial Officer, Secretary and Treasurer