

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

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 1-12793

STARTEK, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	84-1370538
-----	-----
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

111 Havana Street Denver, Colorado	80010
-----	-----
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(303) 361-6000

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Not Applicable

(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGE SINCE LAST REPORT)

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes	X	No
-----		-----

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding at November 10, 1997
Common Stock, par value \$.01 per share	13,828,571

STARTEK, INC.

FORM 10-Q

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

STARTEK, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(dollars in thousands)

ASSETS

September 30, 1997	December 31, 1996
-----	-----
(unaudited)	

Current assets:

Cash and cash equivalents	\$ 27,439	\$ 2,742
Short term investments available for sale	5,371	--
Trade accounts receivable, less allowance for doubtful accounts of \$382 and \$311, respectively	9,354	11,031
Inventories	3,105	2,535
Deferred tax asset	438	--
Prepaid income tax	119	--
Prepaid expenses and other	396	140
	-----	-----
Total current assets	46,222	16,448
Property, plant and equipment, net	6,933	6,528
Other assets	3	3
	-----	-----
Total assets	\$ 53,158	\$ 22,979
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Line of credit	--	\$ 3,500
Accounts payable	\$ 7,201	6,962
Accrued liabilities	1,061	1,584
Current portion of capital lease obligations	109	917
Current portion of long-term debt	--	6
Other	462	584
	-----	-----
Total current liabilities	8,833	13,553
Capital lease obligations, less current portion	133	1,504
Long-term debt, less current portion	200	548
Deferred income taxes	253	--
Other	107	271
Stockholders' equity:		
Common stock	138	1
Additional paid-in capital	41,661	6,148
Cumulative translation adjustment	44	129
Unrealized holding gain on investments	11	--
Retained earnings	1,778	1,038
Note receivable-stockholder for the exercise of stock options	--	(213)
	-----	-----
Total stockholders' equity	43,632	7,103
	-----	-----
Total liabilities and stockholders' equity	\$ 53,158	\$ 22,979
	=====	=====

See accompanying Notes.

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STARTEK, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(dollars in thousands, except share data)
(unaudited)

	Three Months Ended		Nine Months Ended		
	September 30,		September 30,		
	1997	1996	Pro Forma 1997	1997	1996
	-----	-----	-----	-----	-----
Revenues	\$ 20,226	\$ 15,479	\$ 52,960	\$ 52,960	\$ 44,806
Cost of services	16,306	12,198	41,579	41,579	35,974
	-----	-----	-----	-----	-----
Gross profit	3,920	3,281	11,381	11,381	8,832
Selling, general and administrative expenses	2,135	1,756	6,251	6,251	5,319
Management fee expense	--	498	--	3,126	1,397
	-----	-----	-----	-----	-----
Operating profit	1,785	1,027	5,130	2,004	2,116
Net interest expense and other (income)	(535)	69	(353)	(353)	302
	-----	-----	-----	-----	-----
Income before income taxes	2,320	958	5,483	2,357	1,814

Income tax expense	865	112	2,045	650	112
	-----	-----	-----	-----	-----
Net income	\$ 1,455	\$ 846	\$ 3,438	\$ 1,707	\$ 1,702
	=====	=====	=====	=====	=====
Net income per share	\$ 0.11		\$ --		
Pro forma net income per share	--		\$ 0.28		
Weighted average shares outstanding	13,828,571		12,256,410		

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STARTEK, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(dollars in thousands)
(unaudited)

	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1996
	-----	-----
Cash flows from operating activities		
Net income	\$ 1,707	\$ 1,702
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,226	938
Changes in operating assets and liabilities:		
Accounts receivable	1,677	5,772
Inventories	(570)	(813)
Prepaid income tax	(119)	--
Deferred tax asset	(438)	--
Prepaid expenses and other assets	(255)	33
Accounts payable	240	(3,632)
Accrued and other liabilities	(810)	509
Deferred income taxes	253	--
	-----	-----
Net cash provided by operating activities	2,911	4,509
Cash flows from investing activities		
Acquisition of short-term investments, net	(5,371)	--
Purchases of property, plant and equipment, net	(1,647)	(581)
Collections on notes receivable-stockholders	213	28
	-----	-----
Net cash used in investing activities	(6,805)	(553)
Cash flows from financing activities		
Net payments on line of credit borrowings	(3,500)	(2,564)
Principal advances (payments) on borrowings	(354)	(5)
Proceeds from borrowings and capital lease obligations	--	368
Principal payments on capital lease obligations	(2,179)	(626)
Dividend to S corporation principal stockholders	(8,000)	--
Principal payments on notes payable-stockholders	--	(28)
Principal payments on note payable-affiliate	--	(1,111)
Net proceeds of initial public offering of common stock ...	41,042	--
Contributed capital	1,641	--
	-----	-----
Net cash provided by (used in) financing activities	28,650	(3,966)
Effect of exchange rate changes on cash	(70)	11
Effect of unrealized holding gain on investments	11	--
	-----	-----
Net increase in cash and cash equivalents	24,697	1
Cash and cash equivalents at beginning of year	2,742	451
	-----	-----
Cash and cash equivalents at end of period	\$ 27,439	\$ 452
	=====	=====
Supplemental disclosure of non-cash activity		
Equipment acquired or refinanced under capital leases	--	\$ 963
Common stock split effected by stock dividend	\$ 107	--

See accompanying Notes.

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STARTEK, INC. AND SUBSIDIARIES

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

NOTE (1) BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed consolidated financial statements reflect all adjustments (consisting of only normal recurring accruals) which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of StarTek, Inc., and subsidiaries as of September 30, 1997 and 1996 and for the periods then ended. Operating results for the three and nine months periods ended September 30, 1997 are not necessarily indicative of the results that may be expected for the year ended December 31, 1997.

The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's prospectus dated June 18, 1997 for the Company's initial public offering.

NOTE (2) INITIAL PUBLIC OFFERING OF COMMON STOCK

On June 24, 1997 the Company completed an initial public offering of its common stock. The Company sold 3,000,000 shares of common stock at an offering price of \$15.00 per share. Total proceeds after deducting \$3,958 in estimated costs associated with the offering were \$41,042. Immediately prior to the closing of the offering the Company completed a 320.1064-for-1 common stock split effected by a stock dividend. All common stock amounts, equivalent share amounts and per share amounts included in the accompanying financial statements and related notes have been adjusted to give effect to the stock dividend.

NOTE (3) DIVIDEND TO S CORPORATION PRINCIPAL STOCKHOLDERS

Effective immediately prior to the June 24, 1997 closing of the initial public offering, the Company declared an \$8,000 dividend in an amount approximately equal to the estimated additional paid-in capital and retained earnings of the Company as of the closing date of the initial public offering, pursuant to certain promissory notes. Such notes were paid June 30, 1997 from the net proceeds of the initial public offering.

NOTE (4) MANAGEMENT FEE EXPENSE

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

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STARTEK, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (continued)
(dollars in thousands, except share data)
(unaudited)

After the closing of the initial public offering, all compensation payable to persons who had been S corporation stockholders of the Company (or an affiliate of such stockholder) is in the form of advisory fees, salaries and bonuses (which at current rates aggregate approximately \$516 annually) and are included in selling, general and administrative expenses. Such advisory fees and salaries, together with payments under an operating lease terminated effective December 31, 1996, are reflected as selling, general and administrative expense as set forth below.

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	1997	1996	1997	1996
	-----	-----	-----	-----
Selling, general and administrative expense	\$ 129	\$ 135	\$ 387	\$ 406
Management fee expense	\$ --	\$ 498	\$3,126	\$1,397

NOTE (5) PRO FORMA INFORMATION

The pro forma condensed consolidated statement of operations present the effect on the historical consolidated financial statements of the elimination of management fee expense paid to stockholders and their affiliates, as these fees were discontinued upon the completion of the Company's initial public offering, and the provision for related income taxes at an effective rate of 37.3% as if the Company were taxed as a C corporation.

NOTE (6) WEIGHTED AVERAGE SHARES OUTSTANDING

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	1997	1996	1997	1996
	-----	-----	-----	-----
Shares outstanding after giving effect to 322.1064 for one stock split effected by a stock dividend	10,828,571	10,828,571	10,828,571	10,828,571
Shares deemed outstanding to closing of initial public offering, representing the number of shares (at an initial public offering price of \$15.00 per share) sufficient to fund payment of \$8,000 Note Payable to Principal Stockholders	--	533,333	339,927	533,333
3,000,000 shares issued in connection with initial public offering completed June 24, 1997, for days outstanding in the respective periods	3,000,000	--	1,087,912	--
Weighted average shares outstanding	13,828,571	11,361,904	12,256,410	11,361,904

STARTEK, INC. AND SUBSIDIARIES

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

(unaudited)

NOTE (7) INCOME TAXES

The \$650 income tax expense for the nine months ended September 30, 1997 is composed of income tax expense on earnings from the June 1997 period when the Company became taxable as a C corporation as adjusted for a foreign tax benefit item, less a one-time credit to record a net deferred tax asset of \$299 upon termination of S corporation status. Income taxes for the three months ended September 30, 1997 reflect a provision for federal, state, and foreign income taxes at an effective rate of 37.3%.

NOTE (8) INVENTORIES

Total inventories consisted of the following:

	September 30, 1997	December 31, 1996
	-----	-----
Raw materials	\$2,814	\$2,327
Finished goods	291	208
	-----	-----
	\$3,105	\$2,535
	=====	=====

NOTE (9) STOCK OPTIONS GRANTED

A summary of the Company's stock option activity follows:

	Nine Months Ended September 30, 1997

Outstanding at beginning of period	--
Granted	614,500
Cancelled	(7,000)

Outstanding at end of period	607,500
	=====
Exercisable at end of period	20,000
	=====

The exercise price for options outstanding as of September 30, 1997 was \$15.00 per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

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

	SEPTEMBER 30,		SEPTEMBER 30,		
	1997	1996	PRO FORMA		
	1997	1996	1997	1997	1996
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of services	80.6	78.8	78.5	78.5	80.3
Gross profit	19.4	21.2	21.5	21.5	19.7
SG&A expenses	10.6	11.3	11.8	11.8	11.9
Management fee expense	--	3.2	--	5.9	3.1
Operating profit (loss)	8.8	6.6	9.7	3.8	4.7
Net interest expense and other	(2.7)	0.4	(0.7)	(0.7)	0.7
Income (loss) before income taxes	11.5	6.2	10.4	4.5	4.0
Income tax expense (credit)	4.3	0.7	3.9	1.2	0.2
Net income (loss)	7.2	5.5	6.5	3.2	3.8

The following table sets forth certain unaudited pro forma condensed consolidated statement of operations data expressed in dollars and as a percentage of revenues for the three and nine month periods ended September 30, 1996.

	(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)		(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)	
Revenues	\$ 15,479	100.0%	\$ 44,806	100.0%
Cost of services	12,198	78.8	35,974	80.3
Gross profit	3,281	21.2	8,832	19.7
SG&A expenses	1,756	11.3	5,319	11.9
Management fee expense	--	--	--	--
Operating profit	1,525	9.9	3,513	7.8
Net interest expense and other ...	69	0.4	302	0.7
Income before income taxes	1,456	9.4	3,211	7.2
Income tax expense	543	3.5	1,198	2.7
Net income	\$ 913	5.9	\$ 2,013	4.5
Pro forma net income per share ...	\$ 0.08		\$ 0.18	
Weighted average shares outstanding	11,361,904		11,361,904	

Pro forma adjustments are described in Note 5 to Condensed Consolidated Financial Statements.

THREE MONTHS ENDED SEPTEMBER 30, 1997 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1996

Revenues. Revenues increased \$4.7 million, or 30.7%, to \$20.2 million for the three months ended September 30, 1997 from \$15.5 million for the three months ended September 30, 1996. Revenues of \$0.4 million for the three months ended September 30, 1997 were attributable to new clients while existing clients accounted for the remaining \$4.3 million of this increase. Revenue from new clients were partially offset by the effects of completion of projects for existing and former clients, and fluctuating requirements with respect to ongoing projects.

Cost of Services. Costs of services increased \$4.1 million, or 33.7%,

to \$16.3 million for the three months ended September 30, 1997 from \$12.2 million for the three months ended September 30, 1996. As a percentage of revenues, cost of services increased to 80.6% for the three months ended September 30, 1997 from 78.8% for the three months ended September 30, 1996, primarily due to increased work for a major client at lower relative margins and decreased labor utilization.

Gross Profit. As a result of the foregoing factors, gross profit increased \$0.6 million, or 19.5%, to \$3.9 million for the three months ended September 30, 1997 from \$3.3 million for the three months ended September 30, 1996. As a percentage of revenues, gross profit decreased to 19.4% for the three months ended September 30, 1997 from 21.2% for the three months ended September 30, 1996.

Selling, General and Administrative Expenses. SG&A expenses increased \$0.4 million, or 21.7%, to \$2.1 million for the three months ended September 30, 1997 from \$1.8 million for the three months ended September 30, 1996, primarily as a result of increased personnel costs incurred to service increasing business. As a percentage of revenues, SG&A expenses decreased to 10.6% for the three months ended September 30, 1997 from 11.3% for the three months ended September 30, 1996, reflecting a lesser relative increase in SG&A expense as compared to the increase in revenues.

Management Fee Expense. Management fee expense decreased \$0.5 million to zero for the three months ended September 30, 1997. Effective with the closing of the Company's initial public offering in June 1997, management fees were discontinued.

Operating Profit. As a result of the foregoing factors, operating profit increased \$0.8 million, or 73.8%, to \$1.8 million for the three months ended September 30, 1997 from \$1.0 million for the three months ended September 30, 1996. As a percentage of revenues, operating profit increased to 8.8% for the three months ended September 30, 1997 from 6.6% for the three months ended September 30, 1996.

Net Interest Expense and Other (Income). Net interest expense and other (income) was \$0.5 million income for the three months ended September 30, 1997, while it was \$0.1 million expense in the three months ended September 30, 1996. This increase in net interest earnings was primarily due to interest earnings from the net proceeds of the Company's initial public offering and the substantial absence of line-of-credit borrowing during the three months ended September 30, 1997 as contrasted to the comparable period of 1996.

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Income Before Income Taxes. As a result of the foregoing factors, income before income taxes increased \$1.4 million, or 142.2%, to \$2.3 million for the three months ended September 30, 1997 from \$1.0 million for the three months ended September 30, 1996. As a percentage of revenues, income before income taxes increased to 11.5% for the three months ended September 30, 1997 from 6.2% for the three months ended September 30, 1996.

Income Tax Expense. The Company operated as an S corporation for federal and state income tax purposes until termination of S corporation status on June 18, 1997 in connection with the Company's initial public offering. Accordingly, the Company was not subject to federal or state income taxes through June 17, 1997. A provision for federal, state, and foreign income taxes as a C corporation of \$0.9 million was made in the three months ended September 30, 1997, and a provision for foreign income taxes of \$0.1 million was made in the three months ended September 30, 1996.

Net Income. Based on the factors discussed above, net income increased \$0.6 million, or 72.0%, to \$1.5 million for the three months ended September 30, 1997 from \$0.8 million for the three months ended September 30, 1996. As a percentage of revenues, net income increased to 7.2% for the three months ended September 30, 1997 from 5.5% for the three months ended September 30, 1996.

Pro Forma Management Fee Expense; Pro Forma Operating Profit; Pro Forma Income Before Income Taxes; Pro Forma Income Taxes and Pro Forma Net Income for the three months ended September 30, 1996 compared to actual results for the

three months ended September 30, 1997. No pro forma presentation was applicable to the three months ended September 30, 1997. Pro forma amounts for the three months ended September 30, 1996 reflect the elimination of management fees and bonuses to stockholders and their affiliates as these fees and bonuses were discontinued upon the closing of the Company's initial public offering, and provide for related income taxes at 37.3% of pre-tax income as if the Company were taxed as a C corporation. As a result of the foregoing factors (i) management fee expense is zero for the three months ended September 30, 1997 and pro forma management fee expense is zero for the three months ended September 30, 1996; (ii) operating profit increased \$0.3 million, or 17.0%, to \$1.8 million for the three months ended September 30, 1997 from \$1.5 million pro forma operating profit for the three months ended September 30, 1996; (iii) income before income taxes increased \$0.9 million, or 59.3%, to \$2.3 million for the three months ended September 30, 1997 from \$1.5 million pro forma income before income taxes for the three months ended September 30, 1996; (iv) income taxes increased \$0.3 million, or 59.3%, to \$0.9 million for the three months ended September 30, 1997 from \$0.5 million pro forma income tax expense for the three months ended September 30, 1996; and (v) net income increased \$0.5 million, or 59.4%, to \$1.5 million for the three months ended September 30, 1997 from \$0.9 million pro forma net income for the three months ended September 30, 1996.

NINE MONTHS ENDED SEPTEMBER 30, 1997 COMPARED TO NINE MONTHS ENDED
SEPTEMBER 30, 1996

Revenues. Revenues increased \$8.2 million, or 18.2%, to \$53.0 million for the nine months ended September 30, 1997 from \$44.8 million for the nine months ended September 30, 1996. Revenues of \$1.4 million for the nine months ended September 30, 1997 were attributable to new clients while existing clients accounted for the remaining \$6.7 million of this increase. Revenues from new clients were partially offset by the effects of completion of projects for existing and former clients and fluctuating requirements with respect to ongoing projects. A portion of the revenues for the nine months ended September 30, 1996 were attributable to two large projects, which generated unusually high revenues.

Cost of Services. Cost of services increased \$5.6 million, or 15.6%, to \$41.6 million for the nine months ended September 30, 1997 from \$36.0 million for the nine months ended September 30, 1996. As a percentage of revenues, cost of services decreased to 78.5% for the nine months ended September 30, 1997 from 80.3% for the nine months ended September 30, 1996. This change was primarily due to the absence of start-up costs for the Denver facility and product recall and rework costs incurred on a certain product distributed from the United Kingdom facility during the nine months ended September 30, 1997 together with slightly improved labor utilization on a year-to-date basis, partially offset by increased work for a major client at lower relative margins.

Gross Profit. As a result of the foregoing factors, gross profit increased \$2.5 million, or 28.9%, to \$11.4 million for the nine months ended September 30, 1997 from \$8.8 million for the nine months ended September 30, 1996. As a percentage of revenues, gross profit increased to 21.5% for the nine months ended September 30, 1997 from 19.7% for the nine months ended September 30, 1996.

Selling, General and Administrative Expenses. SG&A expenses increased \$0.9 million, or 17.5%, to \$6.3 million for the nine months ended September 30, 1997 from \$5.3 million for the nine months ended September 30, 1996, primarily as a result of increased personnel costs incurred to service increasing business. As a percentage of revenues, SG&A expenses decreased to 11.8% for the nine months ended September 30, 1997 from 11.9% for the nine months ended September 30, 1996, reflecting a lesser relative increase in SG&A expense as compared to the increase in revenues.

Management Fee Expense. Management fee expense increased \$1.7 million,

or 123.8%, to \$3.1 million for the nine months ended September 30, 1997 from \$1.4 million for the nine months ended September 30, 1996. As a percentage of revenues, management fee expense increased to 5.9% for the nine months ended September 30, 1997 from 3.1% for the nine months ended September 30, 1996. The Company paid management fees and bonuses of \$3.1 million in the period from January 1, 1997 through the closing of the Company's initial public offering in June 1997, at which time these management fees and bonus arrangements were discontinued. These management fee and bonus payments gave consideration to operating profits and the effects of certain expense timing differences for book and tax purposes. For the nine months ended September 30, 1996, management fee expense was accrued based on estimated tax requirements of the recipient.

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Operating Profit. As a result of the foregoing factors, operating profit decreased \$0.1 million, or 5.3%, to \$2.0 million for the nine months ended September 30, 1997 from \$2.1 million for the nine months ended September 30, 1996. As a percentage of revenues, operating profit decreased to 3.8% for the nine months ended September 30, 1997 from 4.7% for the nine months ended September 30, 1996.

Net Interest Expense and Other(Income). Net interest expense and other (income) was \$0.4 million income for the nine months ended September 30, 1997, while it was \$0.3 million expense for the nine months ended September 30, 1996. This increase to net interest earnings was primarily due to interest earnings from the net proceeds of the Company's initial public offering and the substantial absence of line-of-credit borrowing during the three months ended September 30, 1997 as contrasted to the comparable period of 1996.

Income Before Income Taxes. As a result of the foregoing factors, income before income taxes increased \$0.5 million, or 29.9%, to \$2.4 million for the nine months ended September 30, 1997 from \$1.8 million for the nine months ended September 30, 1996. As a percentage of revenues, income before income taxes increased to 4.4% for the nine months ended September 30, 1997 from 4.0% for the nine months ended September 30, 1996.

Income Tax Expense. The Company operated as an S corporation for federal and state income tax purposes until termination of S corporation status on June 18, 1997 in connection with the Company's initial public offering. Accordingly, the Company was not subject to federal or state income taxes through June 17, 1997. During the nine months ended September 30, 1997, a provision for income taxes as a C corporation was made for the period June 18, 1997 through September 30, 1997 as adjusted for a foreign tax benefit item, less a one-time credit to record a net deferred tax asset of \$0.3 million upon termination of S corporation status. A provision for foreign income taxes of \$0.1 million was made in the nine months ended September 30, 1996.

Net Income. Based on the factors discussed above, net income remained relatively unchanged at \$1.7 million for the nine months ended September 30, 1997 and 1996. As a percentage of revenues, net income decreased to 3.2% for the nine months ended September 30, 1997 from 3.8% for the nine months ended September 30, 1996.

Pro Forma Management Fee Expense; Pro Forma Operating Profit; Pro Forma Income Before Income Taxes; Pro Forma Income Taxes and Pro Forma Net Income. Pro forma amounts reflect the elimination of management fees and bonuses to stockholders and their affiliates as these fees and bonuses were discontinued upon the closing of the Company's initial public offering, and provide for related income taxes at 37.3% of pre-tax income as if the Company were taxed as a C corporation. As a result of the foregoing factors (i) pro forma management fee expense is zero for the nine months ended September 30, 1997 and 1996; (ii) pro forma operating profit increased \$1.6 million, or 46.0%, to \$5.1 million for the nine months ended September 30, 1997 from \$3.5 million for the nine months ended September 30, 1996; (iii) pro forma income before income taxes increased \$2.3 million, or 70.8%, to \$5.5 million for the nine months ended September 30, 1997 from \$3.2 million for the nine months ended September 30, 1996; (iv) pro forma income taxes increased \$0.8 million, or 70.7%, to \$2.0 million for the nine months ended September 30, 1997 from \$1.2 million for the nine months September 30, 1996; and (v) pro forma net income increased \$1.4 million, or

70.7%, to \$3.4 million for the nine months ended September 30, 1997 from \$2.0 million for the nine months ended September 30, 1996.

LIQUIDITY AND CAPITAL RESOURCES

Prior to its initial public offering in June 1997, the Company funded its operations and capital expenditures primarily through cash flow from operations, borrowings under various lines of credit, capital lease arrangements, short-term borrowings from its stockholders and their affiliates, and additional capital contributions by its stockholders. In November 1997, the Company replaced its previous \$3.5 million line of credit with Norwest Business Credit, Inc. with a \$5.0 million revolving line of credit with Norwest Bank (the "Bank"), which matures on April 30, 1999. Borrowings under the line of credit bear interest at the Bank's prime rate. Under this line of credit, the Company is required to maintain working capital of \$17,500,000 and tangible net worth of \$25,000,000. Collateral for the line of credit is the Company's accounts receivable.

The Company completed an initial public offering of common stock on June 24, 1997. The net proceeds, after deducting underwriting discounts and commissions and offering expenses, were approximately \$41.0 million. From the net proceeds, the Company repaid substantially all of its outstanding indebtedness, which included approximately \$5.0 million of bank and mortgage indebtedness, \$1.8 million of capital lease obligations and \$8.0 million of notes payable to principal stockholders arising from an S corporation dividend in an amount approximately equal to the additional paid-in capital and retained earnings of the Company as of the closing date. The balance of the net proceeds (approximately \$26.2 million) will be used for working capital and other general corporate purposes, including approximately \$8.0 million for capital expenditures to expand and build-out its existing facilities and systems, and to potentially make strategic acquisitions of complementary businesses.

The Company had cash, cash equivalents and short-term investments available for sale of \$32.8 million at September 30, 1997. The Company's working capital was \$37.4 million.

The Company agreed to finance telecommunications computer hardware and software through a 36 month operating lease which became effective in April 1997. Monthly payments approximate \$28,500.

Net cash provided by operating activities decreased to \$2.9 million for the nine months ended September 30, 1997 from \$4.5 million for the same period in the prior year. The principal causes of this decrease were (i) a reduction in accrued and other liabilities as contrasted to an increase in the comparable period of 1996 and (ii) a lesser reduction in accounts receivable in the period, partially offset by an increase in accounts payable as contrasted to the decrease in the comparable period of 1996.

Net cash used in investing activities increased to \$1.4 million for the nine months ended September 30, 1997 from \$0.6 million for the same period in the prior year. The principal causes for this increase were (i) acquisition of short-term investments, net, of the net proceeds of the Company's initial public offering and (ii) increases in purchases of property and equipment.

Net cash provided from financing activities increased to \$28.7 million in the nine months ended September 30, 1997 from \$(4.0) million used in financing activities for the same period in the prior year. The principal causes of this increase were the net proceeds from the Company's initial public

offering, contributed capital from principal stockholders and reduction in principal payments on an affiliate note, partially offset by a dividend to the principal stockholders and the repayment of substantially all of the Company's indebtedness.

The Company believes that cash flow from operations and net proceeds to the Company from its initial public offering, together with available funds under the line of credit, will be sufficient to support its operations and capital expenditure and liquidity requirements for the next 12 months and anticipated operations and cash expenditures for the foreseeable future. However, long-term capital requirements depend on many factors including, but not limited to, the rate at which the Company expands its business, whether internally or through acquisitions and strategic alliances. To the extent that the funds generated from the sources described above are insufficient to fund the Company's activities in the short or long term, the Company will be required to raise the additional funds through public or private financing. No assurance can be given that additional financing will be available or that, if available, it will be available on terms acceptable to the Company.

VARIABILITY OF QUARTERLY OPERATING RESULTS

Historically, the Company's revenues have been significantly lower in the first and second quarters of each year due to the timing of its clients' marketing programs and the introduction of new products, which are typically geared toward the Christmas holiday seasons. Additionally, the Company has experienced, and expects to experience in the future, quarterly variations in operating results as a result of a variety of factors, many of which are outside the Company's control, including: (i) the timing of new projects; (ii) the expiration or termination of existing projects; (iii) the timing of increased expenses incurred to obtain and support new business; (iv) the seasonal pattern of certain of the businesses served by the Company; and (v) the cyclical nature of certain client's businesses.

INFLATION AND GENERAL ECONOMIC CONDITIONS

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

FORWARD-LOOKING STATEMENTS

All statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" or elsewhere in this quarterly

report, that are not statements of historical facts are forward-looking statements that involve substantial risks and uncertainties. Forward-looking statements include (i) the anticipated level of capital expenditures, (ii) the Company's belief that existing cash, short-term investments and available borrowing will be sufficient to finance the Company's operations; and (iii) statements relating to the Company or its operations that are preceded by terms such as "anticipates", "expects", "believes", and similar expressions.

In accordance with the Private Securities Litigation Reform Act of 1995, the following are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements; these include, but are not limited to, general economic conditions in the Company's markets, the loss of one or more of its significant clients, and the loss or delay in implementation of a large project which could cause quarterly variations in the Company's revenues and earnings. Readers are encouraged to review the Risk Factors section of the Company's prospectus dated June 18, 1997 for its initial public offering.

PART II OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

(c) Sales of Unregistered Securities

The Company did not issue or sell any unregistered securities during the quarter ended September 30, 1997.

(d) Use of Proceeds

The Company filed a Registration Statement (Commission file no. 333-20633) for the public offering of 3,666,667 shares of common stock with the Securities and Exchange Commission, which became effective June 18, 1997. The managing underwriters were Donaldson, Lufkin & Jenrette Securities Corporation and Morgan Stanley Dean Witter. The shares were sold for \$15.00 per share for an aggregate amount of \$55,000,005. Of the shares sold, 3,000,000 shares (\$45,000,000 aggregate amount) were sold by the Company and 666,667 shares (\$10,000,005 aggregate amount) were sold by five selling stockholders, each of whom owned in excess of ten percent of the outstanding shares prior to the offering.

Expenses incurred for the Company's account in connection with the issuance and distribution of the common stock registered were as follows:

Underwriting discounts and commissions	\$3,150,000
Expenses paid to or for underwriters	22,327
Other expenses (\$212,668 accrued as of September 30, 1997)	785,363 (1)

Total	\$3,957,690

- (1) There were no direct or indirect payments to directors, officers or persons owning ten percent or more of the Company's securities, or their associates or affiliates. However, out-of-pocket expenses (i.e. travel, lodging, and meals) directly in connection with the offering were reimbursed and are included in other expenses. The Company agreed to pay the expenses of the selling stockholders, other than underwriting discounts and commissions.

The net offering proceeds to the Company were \$41,042,310.

From June 18, 1997 through September 30, 1997, the Company used net offering proceeds as follows:

Repayment of indebtedness:	
Bank and mortgage indebtedness	\$ 4,932,000
Capitalized lease obligations	1,767,000
Notes payable to Principal Stockholders	8,000,000

	14,699,000
Capital expenditures	842,000
Working capital	25,501,000

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following documents are filed as an exhibit to this report:

- 10.10 Loan Agreement, dated November 6, 1997, between StarTek, Inc. (the "Borrower") and Norwest Bank Colorado, National Association (the "Bank") and 360 Day Promissory Note dated November 6, 1997, payable by the Borrower to the Bank.
- 10.11 Amendment dated September 30, 1997 to HP Purchase Agreement dated September 1, 1995 by and between Hewlett-Packard Company, Starpak, Inc. and Starpak International Ltd.
- 27.1 Financial Data Schedule

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the three months ended September 30, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STARTEK, INC.

(Registrant)

Date: November 10, 1997

/s/ MICHAEL W. MORGAN

Michael W. Morgan
President and Chief Executive
Officer

Date: November 10, 1997

/s/ DENNIS M. SWENSON

Dennis M. Swenson
Executive Vice President and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

EXHIBIT INDEX

Exhibit 10.10	Loan Agreement Dated 11/6/97
Exhibit 10.11	Amendment Dated 9/30/97
Exhibit 27.1	Financial Data Schedule

LOAN AGREEMENT

THIS AGREEMENT, dated November 6, 1997, is between STARTEK, INC. (the "Borrower") and NORWEST BANK COLORADO, NATIONAL ASSOCIATION, Denver, Colorado (the "Bank"). The undersigned parties hereby agree as follows.

ARTICLE I - DEFINITIONS

SECTION 1.1 The following terms defined in this Article shall have the meanings specified for all purposes of this Agreement.

- * "Borrower" shall mean STARTEK, INC.
- * "Loan" or "Loans", including but not limited to Loans described in Article II below, shall mean all principal, interest and any other obligation in any form, however created, arising or evidenced, by the Borrower to the Bank, now existing or hereafter created.
- * "Tangible Net Worth" shall mean the Borrower's consolidated net equity, determined in accordance with generally accepted accounting principles; less 1) notes and accounts receivable from shareholders, officers and related entities.
- * "Working Capital" shall mean current assets less current liabilities determined in accordance with generally accepted accounting principles.

ARTICLE II - THE LOAN

SECTION 2.1 Pursuant and concurrent to this Agreement, the Bank is making a new Loan to the Borrower in the aggregate amount of \$5,000,000.00 as more fully described below.

- * A \$5,000,000.00 committed revolving line of credit expiring April 30, 1999, to provide funds for general corporate purposes. This Agreement shall apply to any and all renewals of this line of credit.

The full terms of the Loan is evidenced by separate Loan documents, including but not limited to those referred to in Section 2.4 below.

SECTION 2.2 The Borrower shall have the right to repay Loans in part or in whole at any time without penalty; however, any prepayment must be accompanied by payment of all accrued interest then due.

SECTION 2.3 All payments made shall be made in immediately available funds in a form acceptable to the Bank.

SECTION 2.4 The Bank's commitment to make the new line of credit shall be subject to the delivery to the Bank, in form and substance satisfactory to the Bank, of any documents required by the Bank which may include, but are not limited to, promissory notes, security agreements, financing statements, and other related documents necessary to confirm, continue or create the obligation and/or any liens and security interests in favor of the Bank. The Loan shall

accrue interest at a rate equal to the Bank's published Prime Rate of interest, as more fully described in the promissory note that evidences the Loan. The pricing approved by the Bank for the Loan is based, in part, on the Borrower's commitment to maintain \$250,000.00 in non-interest bearing accounts at the Bank.

ARTICLE III - REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Bank as follows:

SECTION 3.1 The Borrower is validly existing and in good standing under the laws of the State of Colorado. The Borrower is duly qualified to do business

wherever necessary to carry on its present operations.

SECTION 3.2 The making and performance of this Agreement is within its corporate powers; has been duly authorized by all necessary corporate action; does not require any stockholder consent; does not require the approval of any federal or state regulatory authority; does not contravene any law, regulation or agreement to which they are a party or by which their assets may be bound; and will not conflict with any provision of the articles of incorporation, bylaws or other governing documents.

SECTION 3.3 This Agreement is a legal, valid and binding obligation of the Borrower enforceable in accordance with its terms.

SECTION 3.4 There is no pending or threatened action or proceedings before any court or administrative agency which may materially adversely affect the Borrower's financial condition or operations.

SECTION 3.5 The Borrower has good and marketable title to all properties or assets (except those leased and pledged to the City of Aurora), and none of such properties or assets pledged as security to Loans are subject to any mortgage, pledge, loan security interest, encumbrance or any other security agreement or arrangement of any type whatsoever unless the security interests, liens and encumbrances are permitted in this Agreement.

SECTION 3.6 To the best of the Borrower's knowledge and information no material claim for taxes, whether federal, state or local, are presently being assessed against the Borrower with respect to any past due taxes, nor are there any tax disputes being litigated or determined by governmental proceedings at the present time that have not been reflected in the financial statements of the Borrower previously furnished to the Bank.

SECTION 3.7 The Borrower or property of the Borrower is not currently the subject of any threatened or ongoing litigation, judgment, decree, order, citation, complaint, or notice of violation relating to or arising out of environment laws or issues.

SECTION 3.8 As of the dates of this Agreement and the date of any subsequent

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Loans, all representations and warranties to the Bank contained herein are certified to be true and no Event of Default shall have occurred and be continuing.

SECTION 3.9 All financial information previously supplied to the Bank in conjunction with the Loans and required to be supplied under the terms of this Agreement, including but not limited to financial statements, tax returns, projections, borrowing base certificates and listings of accounts receivable, equipment and/or inventory, are hereby certified to be true, accurate and complete in every material respect.

ARTICLE IV - COVENANTS OF THE BORROWER

SECTION 4.1 So long as the Borrower may have Loans outstanding hereunder and until performance of all other obligations of the Borrower, the Borrower shall:

- * Permit or cause to permit the Bank at any reasonable time to have access to the books and records of the Borrower, and to inspect or otherwise check the properties of the Borrower, and to furnish to the Bank the following financial information on a consolidated basis in a form and substance acceptable to the bank:
 - * within 45 days after the end of each quarter, the Borrower's 10Q report;
 - * within 90 days after the end of each fiscal year, the Borrower's 10K report;
 - * within 30 days of each quarter's end, an accounts receivable aging;
- * Maintain minimum Tangible Net Worth of \$25,000,000;

- * Maintain Working Capital of greater than \$17,500,000;
- * Use the Bank as its principal depository for its operating business accounts; and maintain not less than \$250,000.00 in non interest bearing accounts;
- * Maintain insurance with responsible companies on such of its properties, in such amounts and against such risks as is reasonable and customarily maintained by similar businesses, and provide the Bank with evidence of such coverage;
- * Comply in all material respects with all laws and regulations applicable to its business and operations; and
- * Promptly provide notice to the Bank of any occurrence of an Event of Default.

SECTION 4.2 So long as the Borrower may have Loans outstanding hereunder and until payment in full and performance of all other obligations of the Borrower, the Borrower shall not, without the consent of the Bank, which consent shall not be unreasonably withheld:

- * Enter into any mergers, acquisitions or consolidations, or substantially change the ownership structure of the Borrower;
- * Sell, lease or otherwise dispose of all or any substantial part of its assets or operation;
- * Create, incur or permit to exist any lien, security interest or other encumbrance upon any of its properties or assets except liens for taxes or other items not yet overdue or being contested in good faith; or
- * Make distributions of property, or pay dividends, wages or bonuses to any of the Borrower's officers or shareholders, in such amounts as would cause a failure to comply with any financial covenant in this Agreement.

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ARTICLE V - EVENTS OF DEFAULT

SECTION 5.1 The occurrence of any of the following events shall be an "Event of Default"

- * Any payment of principal or interest shall not be made when due and not be cured within ten business days thereafter;
- * Any representation or warranty made by the Borrower in connection with the execution and delivery of this Agreement, or in any certificate furnished pursuant hereto, shall prove to be at any time incorrect in any material respect;
- * The Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement and such failure shall continue for a period of seven days after written notice from the Bank;
- * Any obligation of the Borrower for the payment of any Loan is not made at maturity, whether by acceleration or otherwise, or is declared to be due and payable prior to the stated maturity thereof by reason of default or other violation of the terms thereof; or
- * The Borrower ceases doing business.

SECTION 5.2 Upon the occurrence of an Event of Default, the obligation of the Bank to make advances under any Loan commitment to the Borrower shall terminate and the Bank may declare the principal balance, together with accrued interest thereon, to be immediately due and payable, and the same shall forthwith become immediately due and payable without presentment, protest, notice or demand of any kind, all of which are hereby expressly waived by the Borrower and the Guarantor. Upon any such Event of Default, the Bank may proceed with each and every remedy provided for it in this Agreement, any Loan document, continuing guaranty, security agreement or other instrument executed in connection with the Loans, and may pursue any other remedy available to the Bank, whether in

law or equity, to enforce collection of all sums due and owing to the Bank, all of such right and remedies being cumulative and not exclusive of all rights and remedies which the Bank has or may have against the Borrower.

ARTICLE VI - MISCELLANEOUS

SECTION 6.1 No failure on the part of the Bank in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power hereunder. No modification or waiver of any provision of this Agreement nor consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing and then such a waiver or consent shall be effective only in the specific instance and for the purposes for which it was given. No notice or demand on the Borrower in any case shall entitle it to any other or further notice or demand in similar or other circumstances.

SECTION 6.2 No modification of this Agreement shall be effective unless the same be in writing and mutually agreeable between the parties.

SECTION 6.3 The Borrower agrees to pay all costs incurred by the parties in connection with preparation of this Agreement, the enforcement of any provision of this Agreement, the collection of the Loans or the foreclosure or realization upon any security therefor.

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SECTION 6.4 The Borrower agrees to defend, indemnify, and hold harmless the Bank for, from, and against and to reimburse the Bank with respect to any and all claims, actions, costs and expenses whatsoever (including, without limitation, attorneys fees and expenses and costs reasonably incurred), known or unknown, asserted against or incurred by the Bank at any time by reason of or arising out of or relating to any actual or alleged violation of any existing or future environmental law or actual or threatened contamination relating to the property or activities of the Borrower, whether or not such contamination was in violation of any environmental statute. This indemnity shall last indefinitely and is specifically intended to survive this Agreement.

SECTION 6.5 All notices or other communications required or permitted under this Agreement shall be in writing and shall be deemed given when personally delivered or mailed to the respective parties' addresses as set forth above.

SECTION 6.6 This Agreement and the rights and obligations of the parties hereunder shall be construed and interpreted in accordance with the laws of the State of Colorado.

STARTEK, INC.

NORWEST BANK COLORADO,
NATIONAL ASSOCIATION

By: /s/ A. EMMET STEPHENSON JR.

Title: CHAIRMAN OF THE BOARD

By: /s/ MICHAEL S. KATZ

Title: A.V.P.

/s/ DENNIS M. SWENSON

EXECUTIVE VICE PRESIDENT

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NORWEST BANK COLORADO, NATIONAL ASSOCIATION

Sender's Address, City, State & Zip Code
1740 BROADWAY, DENVER, CO 80274

FOR BANK ONLY FACE AMOUNT RATE NOTE DATE MATURITY DATE
Customer No. Loan No. (% per year)
0005376 9001 \$5,000,000.00 ** % 11/06/1997 04/30/1999

Maker Home Phone Business Phone

StarTek, Inc.

Street Address, City, State, Zip Code
111 Havana Street Denver, CO 80010

Security
ACCOUNTS RECEIVABLE

The captions in the boxes above, and the names, dates, amounts and other information therein, are defined terms and are hereby incorporated in the note provisions below.

Maker promises to pay to the order of Bank at Bank's address the Face Amount with Interest on the unpaid balance of the Face Amount from the Note Date at the Rate indicated above (based upon a year of 360 days and computed for the actual number of days elapsed). *Principal and Interest shall be payable as follows:

Interest shall be payable monthly on the last day of each month beginning 11/30/1997. The balance of principal plus accrued interest shall be payable at maturity.

**The interest rate shall be at an annual rate equal to the Norwest Bank Colorado, National Association Prime Rate, effective the same day of its change. Prime Rate shall mean the interest rate charged by Norwest Bank Colorado, National Association as announced or published by the Bank from time to time as its Prime Rate, and may not be the lowest interest rate charged by the Bank.

THIS NOTE EVIDENCES AN ARRANGEMENT PROVIDING FOR FUTURE ADVANCES THAT IN AGGREGATE AMOUNT OUTSTANDING SHALL AT NO TIME EXCEED THE FACE AMOUNT.

Overdue principal and (to the extent legally enforceable) overdue interest, whether caused by acceleration of maturity or otherwise, shall bear interest at a rate four percentage points above the rate in effect at the time such principal or interest becomes due.

At the option of the holder of this note (the "holder") the unpaid balance of this note plus accrued interest and all other obligations of Maker to the holder, direct or indirect, absolute or contingent, now existing or hereafter arising, shall become immediately due and payable without notice or demand if (a) any payment required by this note is not made when due, or (b) a default or event of default occurs under any loan or security agreement or instrument executed as security for or in connection with this note, or (c) the holder at any time in good faith believes that the prospect of any payment required by this note is impaired, whether or not such belief is caused by any act or failure to act of any Maker or of any endorser, guarantor or accommodation party of or on this note (hereunder collectively referred to as "any other signer").

Maker and any other signer (1) waive presentment, notice of dishonor and protest, (2) assent to any extension of time with respect to any payment due under this note, to any substitution or release of collateral and to the addition or release of any party, and (3) agree that Bank may apply, as Bank elects, any payment received after default to any portion of Maker's obligations hereunder. No waiver of any payment or other right under this note

shall operate as a waiver of any other payment or right. Maker and any other signer shall pay all reasonable costs of collection, including attorneys' fees, paid or incurred by the holder in enforcing this note on default.

This note (a) is secured by the Security indicated above, if any, and (b) shall be construed under and governed by the laws of Colorado. If there is more than one Maker, all of the provisions of this note shall apply to each and any of them.

THE ARBITRATION TERMS AND CONDITIONS ON THE BACK OF THIS PAGE ARE A PART OF AND INCORPORATED INTO THIS NOTE.

Startek, Inc.

FOR BANK USE ONLY

New Loan
Kim McDougal
Michael S. Katz

By: /s/ A. EMMET STEPHENSON, JR.

Title: CHAIRMAN OF THE BOARD

DENNIS M. SWENSON

EXECUTIVE VICE PRESIDENT

AMENDMENT TO
HP PURCHASE AGREEMENT

HP AGREEMENT AMENDMENT SELLER: Starpak, Inc./Starpak International
NO: 195-464 NO: 3 PRODUCT: Marketing-Fulfillment Programs

THIS AMENDMENT TO THE ABOVE REFERENCED HP PURCHASE AGREEMENT IS EXECUTED BY AND
BETWEEN THE SELLER NAMED BELOW AND HEWLETT-PACKARD COMPANY:

Revise the expiration of the Agreement from September 30, 1997 to November 30,
1997 and the final ship date from September 30, 1997 to November 30, 1997. Any
reference in the Agreement to the expiration date shall mean November 30, 1997
and the final ship date shall mean November, 1997.

APPROVED AND AGREED TO, EFFECTIVE: SEPTEMBER 30, 1997

STARPAK INC./STARPAK INTERNATIONAL

HEWLETT-PACKARD

BY: /s/ MICHAEL MORGAN

BY: /s/ LON CURTIS

TYPED NAME: Michael Morgan

TYPED NAME: Lon Curtis

TITLE: President/CFO

Worldwide Operations
TITLE: Procurement Manager

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF OPERATIONS AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q.

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