1

SCHEDULE 14A
(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]
Check the appropriate box:

[X] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[ ] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to sec. 240.14a-11(c) or sec. 240.14a-12

StarTek, Inc.

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.
[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

[ ] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

2

PRELIMINARY COPY

STARTEK, INC.

NOTICE OF ANNUAL MEETING OF
STOCKHOLDERS - MAY 17, 2000

PROXY STATEMENT

SUPPLEMENT TO 2000 ANNUAL REPORT TO
STOCKHOLDERS - MAY 17, 2000:

APPENDIX A

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS PORTION OF STARTEK, INC.'S FORM 10-K AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 8, 2000.

APPENDIX B

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK PORTION OF STARTEK, INC.'S FORM 10-K AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 8, 2000.

APPENDIX C

CONSOLIDATED FINANCIAL STATEMENTS OF STARTEK, INC. AND SUBSIDIARIES PORTION OF STARTEK, INC.'S FORM 10-K AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 8, 2000.

PRELIMINARY COPY

STARTEK, INC.
100 Garfield Street
Denver, Colorado 80206

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 17, 2000

To the Stockholders:

Notice is hereby given that the 2000 Annual Meeting of Stockholders of StarTek, Inc., a Delaware corporation (the "Company"), will be held at the Company's headquarters, 100 Garfield Street, Denver, Colorado 80206, on May 17, 2000, at 9:00 a.m., local time, for the following purposes:

1. To elect four Directors to hold office for a term of one year and until their successors are elected and qualified.

2. To amend the Company's Certificate of Incorporation to increase the number of shares of common stock the Company has authority to issue, from 18,000,000 shares to 32,000,000 shares.

3. To approve the appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 2000.

4. To consider and act upon such other business as may properly come before the meeting.

The Board of Directors has fixed the close of business on March 20, 2000 as the record date for determination of stockholders entitled to notice of and to vote at the meeting and any adjournment thereof.

Whether or not you expect to be present, please sign, date, and return the enclosed proxy card as promptly as possible in the enclosed stamped envelope, the postage on which will be valid if mailed in the United States.

By Order of the Board of Directors

Dennis M. Swenson
Secretary

March ___, 2000

EVERY STOCKHOLDER'S VOTE IS IMPORTANT. PLEASE MARK, SIGN, DATE, AND MAIL THE ENCLOSED PROXY CARD AT YOUR EARLIEST CONVENIENCE, WHETHER OR NOT YOU PLAN TO ATTEND THE 2000 ANNUAL MEETING OF STOCKHOLDERS OF STARTEK, INC.

PRELIMINARY COPY

STARTEK, INC.

TABLE OF CONTENTS

PRELIMINARY COPY

PROXY STATEMENT

STARTEK, INC.
100 GARFIELD STREET
DENVER, COLORADO 80206
(303) 361-6000

2000 ANNUAL MEETING OF STOCKHOLDERS
MAY 17, 2000

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of StarTek, Inc., a Delaware corporation (the "Company"), of proxies for use at the 2000 Annual Meeting of Stockholders (the "Annual Meeting") to be held at the Company's headquarters at 100 Garfield Street, Denver, Colorado 80206, on May 17, 2000 at 9:00 a.m. local time, and at any and all adjournments thereof. The Company's principal address is 100 Garfield Street, Denver, Colorado 80206. The date of mailing of this Proxy Statement is on or about March ____, 2000. The purpose of the meeting is to (i) elect four directors of the Company; (ii) amend the Company's Certificate of Incorporation to increase the number of shares of common stock the Company has the authority to issue, from 18,000,000 shares to 32,000,000 shares; (iii) approve the appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 2000; and (iv) to consider and act upon such other business as may properly come before the meeting.

OUTSTANDING STOCK AND VOTING RIGHTS

In accordance with the By-laws of the Company, the Board of Directors of the Company (the "Board of Directors") has fixed the close of business on March 20, 2000 as the record date for determining the stockholders entitled to notice of, and to vote at, the Annual Meeting (the "Record Date"). Only stockholders of record as of the Record Date will be entitled to vote. A stockholder who submits a proxy on the accompanying form has the power to revoke it by notice of revocation to the Company at any time before it is voted. A subsequently dated proxy, when filed with the Company, will constitute revocation. Proxies will be voted as specified on the proxy card. IN THE ABSENCE OF SPECIFIC INSTRUCTIONS, PROXIES WILL BE VOTED (i) FOR THE PROPOSALS DESCRIBED IN THIS PROXY STATEMENT, AND (ii) IN THE DISCRETION OF THE PROXY HOLDERS ON ANY OTHER MATTER WHICH PROPERLY COMES BEFORE THE MEETING. A stockholder who has given a proxy may nevertheless attend the meeting, revoke the proxy, and vote in person. The Board of Directors has selected A. Emmet Stephenson, Jr. and Michael W. Morgan, and each of them, to act as proxies with full power of substitution.

Solicitation of proxies may be made by mail, personal interview, telephone, and facsimile transmission by officers and other management employees of the Company, who will receive no additional compensation for their services. The total expense of any solicitation will be borne by the Company and may include reimbursement paid to brokerage firms and others for their expenses in forwarding material regarding the Annual Meeting to beneficial owners.

The only outstanding securities of the Company entitled to vote at the Annual Meeting are shares of common stock, $.01 par value, of the Company ("Common Stock"). As of the Record Date, ____________ shares of Common Stock were issued and outstanding. Each outstanding share of Common Stock entitles the holder, as of the Record Date, to one vote on all matters brought before the Annual Meeting. The quorum necessary to conduct business at the Annual Meeting consists of a majority of the outstanding shares of Common Stock as of the Record Date.

The election of the directors nominated will require a plurality (i.e., the highest number) of the votes cast in person or by proxy at the Annual Meeting by holders of shares of Common Stock. In the election of directors, each stockholder is entitled to cast one vote per share for each director to be elected. Cumulative voting is not permitted. Approval of the amendment to the Company's Certificate of Incorporation will require the affirmative vote of the holders of the majority of the shares of the Common Stock outstanding. Approval of the appointment of the Company's auditors will require the affirmative vote of the holders of a majority of the shares of Common Stock present, whether in person or by proxy, at the Annual Meeting.

Votes withheld from nominees for directors, abstentions, and broker non-votes (i.e., when a broker does not have authority to vote on a specific issue) are counted as present in determining whether the quorum requirement is satisfied. For purposes of the election of directors, abstentions, and broker non-votes are not considered to be votes cast and do not affect the plurality vote required for election of directors. For the purposes of the amendment to the Company's Certificate of Incorporation, broker non-votes and abstentions have the effect of a "no" vote. For purposes of the appointment of the Company's auditors and other matters properly brought before the Annual Meeting, broker non-votes will not be considered present and do not affect the vote taken; however, abstentions are considered as being present and have the effect of a "no" vote.

BENEFICIAL OWNERSHIP OF COMMON STOCK BY
DIRECTORS, EXECUTIVE OFFICERS, AND PRINCIPAL STOCKHOLDERS

As of March 1, 2000, the beneficial ownership of Common Stock by each director, nominee for director, executive officer named in the Summary Compensation Table, persons known by the Company to beneficially own more than five percent of Common Stock, and by all executive officers and directors of the Company as a group was as follows:

Name	Number of Shares Beneficially Owned (a)	Percent of Class
A. Emmet Stephenson, Jr. (b), (c)	3,350,882	24.0%
Michael W. Morgan (b), (d)	664,343	4.7
E. Preston Sumner, Jr. (b), (e)	20,000	*
Dennis M. Swenson (b), (f)	--	*
Toni E. Stephenson (b), (g)	3,350,882	24.0
FASSET Trust (b)	1,223,662	8.7
MASSET Trust (b)	1,223,662	8.7
Pamela S. Oliver (b), (h)	2,447,324	17.5
Ed Zschau (i)	26,000	*
Jack D. Rehm (j)	10,000	*
All Directors and Executive Officers as a group (6 persons)	4,071,225	29.0%

* Less than one percent

(a) Calculated pursuant to Rule 13d-3(d) of the Securities Exchange Act of 1934, as amended. Unless otherwise stated below, each such person has sole voting and investment power with respect to all shares. Under Rule 13d-3(d), shares not outstanding which 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.

(b) The address of such person, trust or trustee is c/o the Company, 100 Garfield Street, Denver, Colorado 80206.

(c) Mr. Stephenson is the Chairman of the Board of the Company. Mr. Stephenson is the husband of Toni E. Stephenson. Mrs. Stephenson disclaims beneficial ownership of shares owned by Mr. Stephenson.

(d) Mr. Morgan is President and Chief Executive Officer of the Company.

(e) Mr. Sumner is Executive Vice President and Chief Operating Officer of the Company. On June 18, 1997, Mr. Sumner received options to purchase 100,000 shares of Common Stock. Such options vest at a rate of 20% per year beginning June 18, 1998, expire on June 18, 2007, and are exercisable at $15.00 per share, which was the market value of the Common Stock on the date the options were granted. Excludes 60,000 shares of Common Stock underlying unvested options held by Mr. Sumner.

(f) Mr. Swenson is Executive Vice President, Chief Financial Officer, Secretary and Treasurer of the Company. On June 18, 1997, Mr. Swenson received options to purchase 70,000 shares of Common Stock. Such options vest at a rate of 20% per year beginning June 18, 1998, expire on June 18, 2007, and are exercisable at $15.00 per share, which was the market value of the Common Stock on the date the options were granted. Excludes 42,000 shares of Common Stock underlying unvested options held by Mr. Swenson.

(g) Mrs. Stephenson is the wife of A. Emmet Stephenson, Jr. Mr. Stephenson disclaims beneficial ownership of shares owned by Mrs. Stephenson.

(h) Represents shares owned by the FASSET and MASSET Trust. 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.

(i) Mr. Zschau is a Director of the Company. The Zschau Living Trust owns 10,000 shares of Common Stock. Additionally, on June 18, 1997, Mr. Zschau received options to purchase 10,000 shares of Common Stock. Such options are fully vested, expire on June 18, 2007, and are exercisable at $15.00 per share. On May 20, 1998, Mr. Zschau received additional options to purchase 3,000 shares of Common Stock. Such options are fully vested, expire on May 20, 2008 and are exercisable at $12.69 per share. Also, on May 19, 1999, Mr. Zschau received fully vested options to purchase 3,000 shares of Common Stock, which expire on May 19, 2009, and are exercisable at $18.50 per share. The exercise prices of these options equaled the market value of the Common Stock on the date the options were granted. Mr. Zschau's business address is c/o Karen Cindrich, 1310 Trinity Drive, Menlo Park, California 94025.

(j) Mr. Rehm is a Director of the Company. On December 14, 1999, Mr. Rehm received options to purchase 10,000 shares of Common Stock. Such options are fully vested, expire on December 14, 2009, and are exercisable at $38.625 per share, which equaled the market value of the Common Stock on the date the options were granted. Mr. Rehm's business address is Meredith Corporation, 1716 Locust Street, Des Moines, Iowa 50309-3023.

Except as set forth in the table above, the Company knows of no other person that beneficially owns 5% or more of the outstanding Common Stock.

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires the Company's directors, executive officers, and beneficial owners of more than 10% of the outstanding Common Stock (collectively, "Insiders") to file reports with the Securities and Exchange Commission (the "Commission") disclosing direct and indirect ownership of Common Stock and changes in such ownership. The rules of the Commission require Insiders to provide the Company with copies of all Section 16(a) reports filed with the Commission. Based solely upon a review of copies of Section 16(a) reports received by the Company, and written representations that no additional reports were required to be filed with the Commission, the Company believes Insiders have complied with all Section 16(a) filing requirements applicable since January 1, 1999.

PROPOSAL 1.

ELECTION OF DIRECTORS OF THE COMPANY

The Company's By-laws provide that the Board of Directors shall consist of at least one director and no more than nine. Each director will serve an annual term ("Term"). The Board of Directors has fixed the number of directors of the Company at four. At the Annual Meeting, stockholders will elect four directors to serve until the 2001 annual meeting of stockholders and until successors are duly elected and qualified. The Board of Directors has nominated Messrs. A. Emmet Stephenson, Jr., Michael W. Morgan, Ed Zschau, and Jack D. Rehm to serve as directors until their terms expire in 2001.

The names of nominees and directors continuing in office, their principal occupations, years in which they became directors, and years in which their terms expire are set forth below. In the event the nominee shall decline or be unable to serve, it is intended that the proxies will be voted in the discretion of the proxy holders. The Company knows of no reason to anticipate that this will occur.

A. EMMET STEPHENSON, JR.; AGE 54; PRESIDENT, STEPHENSON AND COMPANY (a), (c)

Mr. Stephenson co-founded the Company in 1987 and has served as Chairman of the Board of the Company since its 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. Effective September 15, 1999, Mr. Stephenson became a director of Good Catalog Company, 19.9% of the outstanding common stock of which is owned by Domain.com, Inc., a wholly owned subsidiary of StarTek, Inc. If re-elected, his Term will expire in 2001.

MICHAEL W. MORGAN; AGE 39; PRESIDENT AND CHIEF EXECUTIVE OFFICER, STARTEK, INC.

Mr. Morgan co-founded the Company in 1987 and has held managerial positions in companies providing outsourced services since 1984. Mr. Morgan has served as President and Chief Executive Officer of the Company since May 1990 and has served as a Director of the Company since January 1997. If re-elected, his Term will expire in 2001.

ED ZSCHAU; AGE 60; PROFESSOR OF MANAGEMENT, HARVARD BUSINESS SCHOOL; VISITING PROFESSOR AT PRINCETON UNIVERSITY (a), (b), (c)

Mr. Zschau has served as a Director of the Company since January 1997. He is a Professor of Management at the Graduate School of Business Administration at Harvard University, where he joined the faculty in 1996. He is also Visiting Professor at Princeton University in the Department of Electrical Engineering. From April 1993 to July 1995, Mr. Zschau was General Manager, IBM Corporation Storage Systems Division. From July 1988 to April 1993, he was

Chairman and Chief Executive Officer of Censtor Corp., a company that researched and developed magnetic recording components for disk drives. Mr. Zschau is a director of The Reader's Digest Association, Inc. and GenRad, Inc. If re-elected, his Term will expire in 2001.

JACK D. REHM; AGE 67; DIRECTOR, STARTEK, INC. (a), (b), (c)

On December 14, 1999, Mr. Rehm was elected to the Board of Directors of StarTek, Inc. Mr. Rehm currently serves on the board of directors of Meredith Corporation, International Multifoods Corporation, and ING Mutual Funds Management Co. He is also past chairman of the Drake University Board of Governors, and former Chairman of the Board, President and CEO of Meredith Corporation. If re-elected, his Term will expire in 2001.

(a) Member of the Compensation Committee of the Board of Directors.

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

(c) Member of the Option Committee of the Board of Directors.

THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

The Board of Directors had four regular meetings during 1999. All directors attended all meetings of the Board of Directors and of the Committees on which they served during 1999.

The Audit Committee reviews the financial statements of the Company to confirm they reflect fairly the financial condition of the Company and to appraise the soundness, adequacy, and application of accounting and operating controls. The Audit Committee recommends independent auditors to the Board of Directors, reviews the scope of the audit function of the independent auditors, and reviews audit reports rendered by the independent auditors. The Audit Committee met twice during 1999.

The Compensation Committee reviews the Company's compensation philosophy and programs, and exercises authority with respect to payment of direct salaries and incentive compensation to Company officers. The Compensation Committee met once during 1999.

The Option Committee is responsible for oversight of the StarTek, Inc. Stock Option Plan. The Option Committee met seven times in 1999.

The Company has no nominating committee of its Board of Directors.

EXECUTIVE OFFICERS OF THE COMPANY

Name	Age	Position	Officer Since
A. Emmet Stephenson, Jr.	54	Chairman of the Board	1987
Michael W. Morgan	39	President, Chief Executive Officer, and Director	1990
E. Preston Sumner, Jr.	48	Executive Vice President and Chief Operating Officer	1997
Dennis M. Swenson	65	Executive Vice President, Chief Financial Officer, Secretary, and	1995

Treasurer

A. Emmet Stephenson, Jr. co-founded the Company in 1987 and has served as Chairman of the Board of the Company since its 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. Effective September 15, 1999, Mr. Stephenson became a director of Good Catalog Company, 19.9% of the outstanding common stock of which is owned by Domain.com, Inc., a wholly owned subsidiary of StarTek, Inc.

Michael W. Morgan co-founded the Company in 1987 and has held managerial positions in companies providing outsourced services since 1984. Mr. Morgan has served as President and Chief Executive Officer of the Company since May 1990 and has served as a Director of the Company since January 1997.

E. Preston Sumner, Jr. has served as the Company's Chief Operating Officer since February 1997. Mr. Sumner co-founded the Company in 1987, served as Vice Chairman of the Board from inception of the Company through December 1994, and rejoined the Company in February 1997 as Executive Vice President and Chief Operating Officer. Mr. Sumner was also a managing director of Stephenson Merchant Banking, a private investment firm in Denver, Colorado, from 1986 through December 1994. From January 1995 through February 1997, Mr. Sumner was a director and Vice President-Corporate Development of Merrick & Company, an engineering and architectural firm, and continues to serve as a director and Vice Chairman of the Board of such company.

Dennis M. Swenson has served as the Company's Chief Financial Officer since October 1995. He has served as Executive Vice President since October 1996. From October 1991 to September 1995, Mr. Swenson was an independent financial consultant. Mr. Swenson was a partner of Ernst & Young LLP from 1973 until 1991.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information concerning 1997, 1998, and 1999 compensation of the Company's Chief Executive Officer and executive officers of the Company who, in addition to the Chief Executive Officer, received the highest compensation during 1997, 1998, and 1999. The Company did not grant any options to purchase Common Stock to any executive officer during the year ended December 31, 1999.

SUMMARY COMPENSATION TABLE

	Annual Compensation (f)			Long-Term Compensation Awards	All Other Compensation ($)
Name and Principal Position	Year	Salary ($)	Management Fees and Bonus ($)	Securities Underlying Option (#)	
Michael W. Morgan President, CEO, and Director	1997	270,821	326,396(a), (c)	--	--
	1998	270,800	--	--	--
	1999	270,800	--	--	--
A. Emmet Stephenson, Jr. Chairman of the Board	1997	--	2,800,000(b), (c)	--	245,000(d)
	1998	--	--	--	245,000(d)
	1999	--	--	--	245,000(d)
E. Preston Sumner, Jr. Executive VP and COO	1997	123,461	--	100,000	1,000(e)

	1998	153,315	--	--	--
	1999	155,359	--	--	758,756(g)
Dennis M. Swenson Executive VP, CFO Secretary, and Treasurer	1997	126,000	--	70,000	--
	1998	128,652	--	--	--
	1999	132,614	--	--	1,012,663(g)

(a) Of the 1997 bonus, Mr. Morgan recontributed $171,358 to the Company as additional capital. Substantially all of the balance was used by Mr. Morgan to pay applicable federal and state income taxes on such bonus. The bonus arrangement was terminated in June 1997 effective as of the closing of the Company's initial public offering.

(b) Management fees were paid to A. Emmet Stephenson, Jr., Inc., which is wholly owned by A. Emmet Stephenson, Jr. Of the 1997 management fees, $1,470,000 was recontributed to the Company as additional capital. These recontributions were made by Mr. Stephenson and Toni E. Stephenson, his spouse and a principal stockholder. The remainder of the management fees were used to pay applicable federal and state income taxes on such fees. The management fee arrangement was terminated in June 1997 effective as of the closing of the Company's initial public offering.

(c) See Note 1 to the Consolidated Financial Statements included in Appendix C hereto for a description of management fees and bonuses paid. Such management fees and bonuses pertain to periods prior to the June 1997 initial public offering while the Company was an S corporation. Management fee and bonus arrangements were terminated effective as of the closing of the Company's initial public offering.

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

(e) Consulting fees prior to rejoining the Company in February 1997.

(f) The Company 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 and bonus for 1997, 1998, and 1999.

(g) Earnings from exercise of stock options and sale of underlying Common Stock.

COMPENSATION OF DIRECTORS

Pursuant to the Company's Director Option Plan and upon reelection on May 20, 1999 at the Company's 1999 annual meeting of stockholders, the Company automatically granted an option to purchase 3,000 shares of Common Stock to each of two non-employee directors. Upon initial election on December 14, 1999, the Company automatically granted an option to purchase 10,000 shares of Common Stock to one non-employee director. These options fully vest upon grant date, expire ten years from grant date, and are exercisable at an exercise price equal to the market value of the Common Stock on the grant date. Pursuant to the Director Option Plan, each non-employee director will be automatically granted options to acquire 3,000 shares of 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 reelected. The Director's Option Plan is administered by the 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 the Company's Compensation Committee. Except for Mr. Stephenson, no officers or employees of the Company participate in deliberations of the Compensation Committee. The Compensation 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 Summary Compensation Table for management fees and advisory fees paid to A. Emmet Stephenson, Jr., Inc.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT

The Company has not entered into any employment contracts, change of control arrangements, or termination of employment arrangements with any named executive officer.

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION

This committee report is not deemed to be "soliciting material" or to be "filed" with the Commission or subject to the Commission's proxy rules or to the liabilities of Section 18 of the Exchange Act, and this committee report shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act.

The Compensation Committee has responsibility to: (i) recommend to the full Board of Directors salary, bonus, and other benefits, direct and indirect, of the Chairman, President and Chief Executive Officer, Executive Vice Presidents, members of the Board of Directors who are also involved in management of the Company, and such other officers of the Company as are designated from time to time by the Board of Directors; (ii) review and submit recommendations concerning new executive compensation or stock plans; (iii) establish and review corporate policies concerning management perquisites; (iv) assess the Corporation's executive development plan, if any; and (v) recommend director compensation.

Total executive officer compensation is comprised of salary and grants of options to purchase Common Stock. Executives and other key employees who, in the opinion of the Committee, contribute to the growth, development and financial success of the Company are eligible to be awarded options to purchase Common Stock. These grants are normally made at or above the fair market value on the date of grant with vesting over a five-year period. The amount of options granted is impacted both by the level of the employee within the Company's management and the amount of options previously granted to the employee. The Committee considers the value of each executive officer's contribution to the performance of the Company (including the Chief Executive Officer) in determining salary levels and grants of options.

The 1999 salaries and other compensation of the three executive officers and the Chairman of the Board appear in the Summary Compensation Table. Effective January 1, 1997, the Company began paying an annual advisory fee of $245,000 to A. Emmet Stephenson, Jr., Inc. (wholly-owned by A. Emmet Stephenson, Jr., Chairman of the Board). Michael W. Morgan who is President and Chief Executive Officer, currently receives an annual base salary of $270,800 E. Preston Sumner, Jr., Executive Vice President and Chief Operating Officer, currently receives an annual base salary of $155,000. Dennis M. Swenson, Executive Vice President and Chief Financial Officer, currently receives an annual base salary of $130,000. No options were granted in 1999 to the three executive officers or the Chairman of the Board.

By the Compensation Committee:
A. Emmet Stephenson, Jr.
Ed Zschau
Jack D. Rehm

STOCK PERFORMANCE GRAPH

The following graph sets forth a stock market index:

PERFORMANCE GRAPH

The graph below compares the cumulative total stockholder return on the Common Stock since consummation of the Company's initial public offering in June 1997 with the cumulative total return of the New York Stock Exchange Composite Index ("NYSE") and of the Russell 2000 Index ("Russell") over the same period (assuming $100 investment on June 19, 1997 in each of Common Stock, NYSE, Russell, and reinvestment of dividends, if any). The Company does not believe stock price performance shown on the graph below is necessarily indicative of future price performance.

	StarTek, Inc. Common Stock	NYSE Return	Russell Return
06/19/97	$100	$100	$100
12/31/97	$ 76	$110	$111
12/31/98	$ 82	$127	$106
12/31/99	$241	$141	$127

The stock performance chart assumes $100 was invested on June 19, 1997.

The information set forth under the heading "Stock Performance Graph" is not deemed to be "soliciting material" or to be "filed" with the Commission or subject to the Commission's proxy rules or to the liabilities of Section 18 of the Exchange Act, and the graph shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act or the Exchange Act.

PROPOSAL 2.

AMENDMENT TO THE COMPANY'S
CERTIFICATE OF INCORPORATION TO INCREASE AUTHORIZED SHARES

The Company has a total of 18,000,000 shares of Common Stock currently authorized. As of March 1, 2000, the Company had 13,988,011 shares of Common Stock issued and outstanding. As of December 31, 1999, there were 605,710 shares of Common Stock underlying outstanding options, of which 107,820 were exercisable. Options for 310,750 shares of Common Stock were available for future grant as of December 31, 1999. The Board of Directors believes the Company's number of authorized shares of Common Stock should be increased to provide additional shares necessary for equity financing contingencies in the future. The Board of Directors believes increasing the number of authorized shares from 18,000,000 to 32,000,000 would provide sufficient additional authorized shares to meet the Company's foreseeable equity financing needs.

Based on the foregoing, the Board of Directors has approved and unanimously recommends to the stockholders a proposal to amend the Company's Certificate of Incorporation to increase the number of shares of Common Stock the Company has the authority to issue, from 18,000,000 shares to 32,000,000 shares. The Company would effectuate such amendment by filing a Certificate of Amendment to the Certificate of Incorporation of the Company substantially in the form attached as Exhibit A with the Delaware Secretary of State. Approval of this amendment to the Certificate of Incorporation requires the affirmative vote of holders of a majority of the outstanding shares of Common Stock.

Article IV of the Company's Certificate of Incorporation currently provides as follows:

ARTICLE IV

Stock

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

If the proposal were adopted, Article IV of the Company's Certificate of Incorporation will be amended to read as follows:

ARTICLE IV

Stock

> The total number of shares of stock which the Corporation shall have authority to issue is 32,000,000 shares with $.01 per share par value, all of which are designated as common stock ("Common Stock").

The effect of filing the proposed amendment would be to increase the number of authorized shares of the Company's capital stock to the level management believes is appropriate. The proposed amendment would not affect the proportionate equity interest in the Company of any stockholder nor would it affect the rights of any stockholder.

If the proposal were approved, the amendment would become effective upon the filing of the certificate of amendment with the Delaware Secretary of State.

Members of the Board of Directors, Executive Officers of the Company, Toni E. Stephenson, and Pamela S. Oliver own or control approximately 70.2% of the outstanding Common Stock of the Company as of March 1, 2000, and have expressed their intention to cast their votes in favor of the proposed amendment.

The Board of Directors recommends voting "FOR" the adoption of the proposed amendment to the Company's Certificate of Incorporation.

PROPOSAL 3.

APPROVAL OF APPOINTMENT OF AUDITORS

The Board of Directors has appointed Ernst & Young LLP, an international firm of independent certified public accountants, to act as independent accountants for the Company and its consolidated subsidiaries for the year ending December 31, 2000. Ernst & Young LLP has been the Company's auditors since the year ended June 30, 1991, and has advised the Company it does not have any direct or indirect financial interest in the Company or any of its subsidiaries, nor has such firm had any such interest in connection with the Company during the past five years other than its capacity as the Company's independent certified public accountants. A representative of Ernst & Young LLP is expected to be present at the Annual Meeting, have an opportunity to make a statement if he desires to do so, and be available to answer questions from stockholders.

The Board of Directors unanimously recommends stockholders vote "FOR" ratification and approval of selection of Ernst & Young LLP as independent auditors for the Company for the year ending December 31, 2000.

STOCKHOLDER PROPOSALS

Stockholder proposals intended to be presented at the 2001 annual meeting of stockholders of the Company must be received by the Company at its executive offices at 100 Garfield Street, Denver, Colorado 80206, attention to Director of Investor Relations, no later than December 21, 2000 for inclusion in the proxy statement and proxy relating to the 2001 annual meeting of stockholders.

MISCELLANEOUS

The Company's Annual Report to Stockholders for the year ended December 31, 1999 will be furnished with this Proxy Statement to stockholders of record on March 20, 2000. The Annual Report to Stockholders for the year ended December 31, 1999 does not constitute a part of the proxy soliciting material.

Management of the Company is not aware of any other business that may come before the Annual Meeting. However, if additional matters properly come before the Annual Meeting, proxies will be voted at the discretion of the proxy holders.

By Order of the Board of Directors

Dennis M. Swenson
Secretary

Dated: March_____, 2000

THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR FISCAL YEAR ENDED DECEMBER 31, 1999, INCLUDING CONSOLIDATED FINANCIAL STATEMENTS, REQUIRED TO BE FILED WITH THE COMMISSION PURSUANT TO RULE 13a-1 OF THE EXCHANGE ACT WILL BE FURNISHED, EXCLUDING EXHIBITS, WITHOUT CHARGE, TO ANY STOCKHOLDER UPON WRITTEN REQUEST. A COPY MAY BE REQUESTED BY WRITING TO THE DIRECTOR OF PUBLIC RELATIONS, STARTEK, INC., 100 GARFIELD STREET, DENVER, COLORADO 80206. THE COMPANY'S ANNUAL REPORT ON FORM 10-K CAN BE OBTAINED OVER THE INTERNET THROUGH THE COMPANY'S WEB SITE. THE COMPANY'S INTERNET ADDRESS IS http://www.startek.com. ADDITIONALLY, THE ANNUAL REPORT ON FORM 10-K AND OTHER INFORMATION FILED WITH THE COMMISSION BY THE COMPANY CAN BE INSPECTED AT AND OBTAINED FROM THE COMMISSION AT PRESCRIBED RATES AT PUBLIC REFERENCE FACILITIES MAINTAINED BY THE COMMISSION AT ROOM 1024, 450 FIFTH STREET, N.W., JUDICIARY PLAZA, WASHINGTON, D.C. 20549, AND AT CERTAIN REGIONAL OFFICES OF THE COMMISSION LOCATED AT NORTHWESTERN ATRIUM CENTER, 500 WEST MADISON STREET, SUITE 1400, CHICAGO, ILLINOIS 60661, AND THE 13TH FLOOR, 7 WORLD TRADE CENTER, NEW YORK, NEW YORK 10048. THE COMMISSION MAINTAINS A WEB SITE AT http://www.sec.gov THAT CONTAINS REPORTS, PROXIES, INFORMATION STATEMENTS, AND OTHER INFORMATION REGARDING THE COMPANY THAT HAS BEEN FILED ELECTRONICALLY WITH THE COMMISSION.

PRELIMINARY COPY

EXHIBIT A

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

StarTek, Inc., a corporation organized and existing under the General

Corporation Law of the State of Delaware (the "Act"), hereby certifies as follows:

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

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

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

ARTICLE IV
Stock

The total number of shares of stock which the Corporation shall have authority to issue is 32,000,000 shares with $.01 per share par value, all of which are designated as common stock ("Common Stock").

IN WITNESS WHEREOF, this Certificate of Amendment to the Certificate of Incorporation of StarTek, Inc. is executed _____________, 2000.

STARTEK, INC., a Delaware corporation

By: ---------------------------------------
Title: ---------------------------------------

APPENDIX A

STARTEK, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" or elsewhere in this report that are not statements of historical facts are forward-looking statements that involve substantial risks and uncertainties. Forward-looking statements are preceded by terms such as "may", "will", "should", "anticipates", "expects", "believes", "plans", "future", "estimate", "continue", and similar expressions. The following are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements; these include, but are not limited to, inflation and general economic conditions in the Company's and its clients' markets, risks associated with the Company's reliance on a principal client, loss or delayed implementation of a large project which could cause quarterly variation in the Company's revenues and earnings, difficulties in managing rapid growth, risks associated with rapidly changing technology, dependence on labor force, risks associated with international operations and expansion, control by principal stockholders, dependence on key personnel, dependence on key industries and trends toward outsourcing, risks associated with the Company's contracts, highly competitive markets, risks of business interruptions, volatility of the Company's stock price, and risks related to the Company's investment in and note receivable from Good Catalog Company doing business as gifts.com, risks related to the Company's Internet web site operations, and risks related to the Company's portfolio of Internet domain names. These factors include risks and uncertainties beyond the Company's ability to control; and, in many cases, the Company and its management cannot predict the risks and uncertainties that could cause actual results to differ materially from those indicated by use of forward-looking statements. All forward-looking statements herein are made as of March 8, 2000, which was the filing date of the Company's Form 10-K for the fiscal year ended December 31, 1999, and the Company undertakes no obligation to update any such forward-looking statements. All forward-looking statements herein are qualified in their entirety by the information set forth in "Factors That May Affect Future Results" below.

OVERVIEW

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

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

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

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

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

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

RESULTS OF OPERATIONS

The following tables should be read in conjunction with the consolidated financial statements and notes thereto set forth in "Appendix C".

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

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

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

Revenues	$ 89,150	100.0%
Cost of services	71,986	80.7
Gross profit	17,164	19.3
Selling, general and administrative expenses	8,703	9.8
Operating profit	8,461	9.5
Net interest income and other	933	1.0
Income before income taxes	9,394	10.5
Income tax expense	3,504	3.9

Pro forma net income	$ 5,890	6.6%
	============	
Earnings per share:		
Basic	$ 0.47	
Diluted	$ 0.47	
Weighted average shares outstanding:		
Basic	12,652,680	
Diluted	12,652,680	

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

1999 Compared to 1998

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

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

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

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

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

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

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

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

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

1998 Compared to 1997

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

The Company has a $5.0 million line of credit with Norwest Bank Colorado, N.A. (the "Bank"), which matures on April 30, 2001. Borrowings under the line of credit bear interest at the Bank's prime rate (8.5% as of December 31, 1999). Under this line of credit, the Company is required to maintain working capital of $17.5 million and tangible net worth of $25.0 million. The Company may not pay dividends in an amount which would cause a failure to meet these financial covenants. As of December 31, 1999 and March 8, 2000, which was the filing date of the Company's Form 10-K for the fiscal year ended December 31, 1999, the Company was in compliance with these financial covenants. Collateral for the line of credit is trade accounts receivable of certain of the Company's wholly owned subsidiaries. As of December 31, 1999 and March 8, 2000, which was the filing date of the Company's Form 10-K for the fiscal year ended December 31, 1999, no amount was outstanding under the $5.0 million line of credit.

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

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

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

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

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

On October 22, 1999, the Company, through its wholly owned subsidiary StarTek USA, Inc., completed an equipment loan arrangement with a finance company maturing October 22, 2003. In connection with the equipment loan, the Company received cash of $2.0 million in exchange for providing, among other things, certain collateral which generally consisted of computer hardware and software, various forms of telecommunications equipment, and furniture and fixtures whose estimated cost was equal to the principal amount of the equipment loan. The equipment loan arrangement provides for interest at the prime rate minus 1.60% (6.9% as of December 31, 1999), and forty-eight consecutive monthly payments. StarTek USA, Inc. is required, from time to time, to maintain certain operating ratios. As of December 31, 1999 and March 8, 2000, which was the filing date of the Company's Form 10-K for the fiscal year ended December 31, 1999, StarTek USA, Inc. was in compliance with these financial covenants.

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

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

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

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

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

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

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

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

QUARTERLY RESULTS

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

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

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

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

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

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

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

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

INFLUENCE OF YEAR 2000

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

INFLATION AND GENERAL ECONOMIC CONDITIONS

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

FACTORS THAT MAY AFFECT FUTURE RESULTS

Reliance on Principal Client Relationship

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

Variability of Quarterly Operating Results

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

Difficulties in Managing Business Undergoing Rapid Growth

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

Risks Associated with Rapidly Changing Technology

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

Dependence on Labor Force

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

Risks Associated with International Operations and Expansion

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

Control by Principal Stockholders

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

Dependence on Key Personnel

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

Dependence on Key Industries and Trends Toward Outsourcing

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

Risks Associated with the Company's Contracts

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

Highly Competitive Markets

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

Risks of Business Interruptions

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

Volatility of Stock Price

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

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

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

Risks related to the Company's Internet web site operations

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

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

Through its wholly owned subsidiary Domain.com, Inc., the Company owns a portfolio of Internet domain names. The estimated fair market value of domain names owned by the Company is difficult to assess because the Company, to date, has had limited activity related to its Internet domain name portfolio. An investor in the Company's common stock must consider the challenges, risks, and uncertainties frequently encountered by early stage companies using new and unproven business models in new and rapidly evolving markets. These challenges influencing the Company's ability to benefit from its portfolio of Internet domain names include the Company's ability to: (i) execute on its business model; (ii) increase brand recognition of the Internet domain names within the

Company's portfolio; and (iii) protect trademarks, service marks, and copyrights related to the domain names. These and other uncertainties generally attributable to businesses engaging in E-commerce and the Internet must be considered when evaluating the Company's portfolio of Internet domain names, and prospects of the Company's Internet web site operations anticipated to be developed from these domain names.

APPENDIX B

STARTEK, INC. AND SUBSIDIARIES

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

Interest Rate Sensitivity and Other General Market Risks

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

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

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

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

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

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

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

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

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

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

Equity Price Risk and Other General Market Risks

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

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

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

Foreign Currency Exchange Risk

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

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

APPENDIX C

STARTEK, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
StarTek, Inc.

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

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

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

Ernst & Young LLP

Denver, Colorado
February 11, 2000

STARTEK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

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

See notes to consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

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

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

See notes to consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

	YEAR ENDED DECEMBER 31		
	1997	1998	1999
OPERATING ACTIVITIES			
Net income	$ 4,158	$ 8,544	$ 13,023
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,829	2,852	4,715
Deferred income taxes	(153)	(577)	(884)
(Gain) loss on sale of assets	--	(106)	3
Changes in operating assets and liabilities:			
Purchases of trading securities, net	--	--	(1,146)
Trade accounts receivable, net	(1,487)	(7,958)	(1,316)
Inventories	(4)	(233)	(968)
Prepaid expenses and other assets	(65)	(17)	(283)
Accounts payable	2,425	8,046	(1,285)
Income taxes payable	106	1,838	1,094
Accrued and other liabilities	(661)	679	2,874
Net cash provided by operating activities	6,148	13,068	15,827

INVESTING ACTIVITIES			
Purchases of investments available for sale	(7,504)	(18,684)	(19,123)
Proceeds from disposition of investments available for sale	--	8,397	13,197
Purchases of property, plant and equipment	(3,191)	(14,108)	(12,593)
Proceeds from disposition of property, plant and equipment	--	181	2
Investment in Good Catalog Company, at cost	--	--	(2,606)
Note receivable from Good Catalog Company	--	--	(7,818)
Collections on notes receivable-stockholders	213	--	--
Net cash used in investing activities	(10,482)	(24,214)	(28,941)
FINANCING ACTIVITIES			
Stock options exercised	--	--	2,368
Principal payments on line of credit borrowings, net	(3,500)	--	--
Principal payments on borrowings	(1,854)	(62)	(1,057)
Proceeds from borrowings and capital lease obligations	1,500	3,729	4,331
Principal payments on capital lease obligations	(2,218)	(80)	(14)
Dividend to S corporation principal stockholders	(8,000)	--	--
Net proceeds from initial public offering of common stock	41,042	--	--
Contributed capital	1,641	--	--
Net cash provided by financing activities	28,611	3,587	5,628
Effect of exchange rate changes on cash	(59)	192	(164)
Net increase (decrease) in cash and cash equivalents	24,218	(7,367)	(7,650)
Cash and cash equivalents at beginning of year	2,742	26,960	19,593
Cash and cash equivalents at end of year	$ 26,960	$ 19,593	$ 11,943
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest	$ 368	$ 58	$ 332
Income taxes paid	$ 2,263	$ 3,640	$ 7,484
Property, plant and equipment acquired or refinanced under long-term debt	$ 261	$ 3,629	$ 2,031
Change in unrealized loss on investments available for sale, net of tax	$ 92	$ 514	$ (10)

See notes to consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DOLLARS IN THOUSANDS)

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

Stock options exercised	158,540	2	2,366	--	--	--	2,368
Income tax benefit from stock options exercised	--	--	1,654	--	--	--	1,654
Net income	--	--	--	--	13,023	--	13,023
Cumulative translation adjustment	--	--	--	--	--	(142)	(142)
Unrealized gain on investments available for sale	--	--	--	--	--	10	10
Comprehensive income	--	--	--	--	--	--	12,891
Balance, December 31, 1999	13,987,111	$ 140	$ 45,681	$ --	$ 25,796	$ (571)	$ 71,046

See notes to consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

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

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Business Operations

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

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

Capital Stock

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

Foreign Currency Translation

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

Comprehensive Income

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

Use of Estimates

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

Reclassifications

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

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

Revenue Recognition

Revenues are recognized as services are completed.

Training

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

Fair Value of Financial Instruments

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

Cash and Cash Equivalents

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

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Investments

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

Derivative Instruments and Hedging Activities

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

Inventories

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

Investment in Good Catalog Company, at cost

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

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

Property, Plant and Equipment

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

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

Income Taxes

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

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

Management Fee Expense

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

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

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

2. EARNINGS PER SHARE

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

	DECEMBER 31		
	1997	1998	1999
Net income (A)	$ 4,158	$ 8,544	$ 13,023
Weighted average shares of common stock (B)	12,652,680	13,828,571	13,874,556
Dilutive effect of stock options	--	--	264,593
Common stock and common stock equivalents (C)	12,652,680	13,828,571	14,139,149
Earnings per share:			
Basic (A/B)	$ 0.33	$ 0.62	$ 0.94
Diluted (A/C)	$ 0.33	$ 0.62	$ 0.92

STARTEK, INC. AND SUBSIDIARIES

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

3. INVESTMENTS

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

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

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

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

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

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

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

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

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

3. INVESTMENTS (CONTINUED)

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

4. INVENTORIES

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

	DECEMBER 31	
	1998	1999
Purchased components and fabricated assemblies	$ 2,313	$ 1,986

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Finished goods	459	1,754
	$ 2,772	$ 3,740

5. INVESTMENT IN AND NOTE RECEIVABLE FROM GOOD CATALOG COMPANY

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

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

6. PROPERTY, PLANT AND EQUIPMENT

	DECEMBER 31	
	1998	1999
Land	$ 1,129	$ 2,179
Buildings and improvements	9,656	14,079
Equipment	14,785	20,333
Furniture and fixtures	1,445	2,219
	27,015	38,810

Less accumulated depreciation and amortization	(7,844)	(12,052)
Property, plant and equipment, net	$ 19,171	$ 26,758

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

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

7. LINE OF CREDIT

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

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

8. LEASES

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

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

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

8. LEASES (CONTINUED)

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

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

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

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

9. TENNESSEE FINANCING AGREEMENT

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

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

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

10. LONG-TERM DEBT

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

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

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

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

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

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

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

STARTEK, INC. AND SUBSIDIARIES

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

11. INCOME TAXES

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

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

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

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

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

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

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

12. NET INTEREST INCOME AND OTHER

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

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

13. STOCKHOLDERS' EQUITY

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

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

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

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

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

14. STOCK OPTIONS

1987 Stock Option Plan

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

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

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

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

The Plan was terminated effective January 24, 1997.

14. STOCK OPTIONS (CONTINUED)

1997 Stock Option Plan

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

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

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

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

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Outstanding as of end of year	611,500	613,800	605,710
Exercisable as of end of year	20,000	140,200	107,820

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

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

14. STOCK OPTIONS (CONTINUED)

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

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

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

15. GEOGRAPHIC AREA INFORMATION

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

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

16. PRINCIPAL CLIENTS

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

17. QUARTERLY DATA (UNAUDITED)

	1998 QUARTERS ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
Revenues	$ 24,321	$ 24,692	$ 31,617	$ 60,354
Gross profit	4,564	4,684	5,821	10,836
Selling, general and administrative expenses	2,732	3,285	3,483	5,214

Operating profit	1,832	1,399	2,338	5,622
Net income	$ 1,512	$ 1,338	$ 1,787	$ 3,907
Earnings per share:				
Basic	$ 0.11	$ 0.10	$ 0.13	$ 0.28
Diluted	$ 0.11	$ 0.10	$ 0.13	$ 0.28
Weighted average shares outstanding:				
Basic	13,828,571	13,828,571	13,828,571	13,828,571
Diluted	13,828,571	13,828,571	13,828,571	13,828,571

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

PRELIMINARY COPY

STARTEK, INC.
PROXY FOR THE ANNUAL MEETING OF STOCKHOLDERS - MAY 17, 2000
THIS PROXY IS SOLICITED ON BEHALF OF THE
BOARD OF DIRECTORS

This proxy is furnished in connection with the solicitation by the Board of Directors of StarTek, Inc. of proxies for use at the 2000 Annual Meeting of Stockholders. The undersigned stockholder of StarTek, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints A. Emmet Stephenson, Jr. and Michael W. Morgan, and each of them, his attorneys-in-fact and proxies (with full power of substitution in each), and authorizes them to represent the undersigned at the Annual Meeting of Stockholders of the Company to be held on May 17, 2000, at nine o'clock in the morning, and at any adjournment thereof, and to vote the common stock of the Company held by the undersigned as designated below on proposals 1, 2, and 3, and in their discretion on all other matters coming before the meeting.

This proxy when properly executed will be voted in the manner directed by the stockholder, BUT IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1, 2, AND 3.

Properly executed proxies will be voted in the discretion of the proxy holder with regard to any other matter that properly comes before the meeting.

1. ELECTION OF DIRECTORS:

FOR all nominees listed (except as marked below)

A. Emmet Stephenson, Jr. Michael W. Morgan Ed Zschau Jack D. Rehm

WITHHOLD AUTHORITY to vote for all nominees listed below

INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE(S), PRINT SUCH NOMINEE'S(S') NAME(S) IN THE SPACE PROVIDED BELOW:

(To be signed on reverse side)

2. TO AMEND THE COMPANY'S CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK THE COMPANY HAS THE AUTHORITY TO ISSUE, FROM 18,000,000 SHARES TO 32,000,000 SHARES:

FOR AGAINST ABSTAIN

(To be signed on reverse side)

3. TO RATIFY THE SELECTION OF ERNST & YOUNG LLP AS INDEPENDENT AUDITORS FOR THE COMPANY:

FOR AGAINST ABSTAIN

(To be signed on reverse side)

PLEASE MARK, SIGN, DATE, AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

Please sign exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, trustee or other representative capacity, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer.

The signer hereby revokes all proxies heretofore given to vote at said meeting or any adjournment thereof.

Signature of Stockholder

Signature of Stockholder

Dated: ------------------------------------, 2000