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STARTEK, INC.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003.

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO .

Commission File Number 1-12793

STARTEK, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE	**84-1370538**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Garfield Street
Denver, Colorado 80206
(Address of principal executive offices)
(Zip Code)

(303) 361-6000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No o

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

Common Stock, $.01 par value—14,236,901 shares as of August 11, 2003.

STARTEK, INC.

FORM 10-Q

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Part I. ***FINANCIAL INFORMATION***

Item 1. Financial Statements

STARTEK, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(dollars in thousands)

	December 31, 2002	June 30, 2003
		(unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,143	$ 11,895
Investments	44,022	52,142
Trade accounts receivable, less allowance for doubtful accounts of $816 and $815, respectively	37,232	31,016
Inventories	1,463	1,425
Income tax receivable	335	3,399
Deferred tax assets	4,300	1,483
Prepaid expenses and other assets	958	1,058
Total current assets	101,453	102,418
Property, plant and equipment, net	38,797	46,197
Long-term deferred tax assets	110	—
Other assets	61	108
Total assets	$ 140,421	$ 148,723
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 11,156	$ 8,834
Accrued liabilities	7,235	7,703
Current portion of long-term debt	2,221	2,282
Other	462	343
Total current liabilities	21,074	19,162
Long-term debt, less current portion	4,261	3,337
Deferred income taxes	—	371
Other	492	967

Stockholders' equity:		
Common stock	142	142
Additional paid-in capital	50,060	50,506
Cumulative translation adjustment	(123)	175
Unrealized gain (loss) on investments available for sale	(738)	479
Retained earnings	65,253	73,584
Total stockholders' equity	114,594	124,886
Total liabilities and stockholders' equity	$ 140,421	$ 148,723

See notes to condensed consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2003	2002	2003
Revenues	$ 43,350	$ 54,528	$ 89,310	$ 105,056
Cost of services	32,226	41,760	67,013	80,101
Gross profit	11,124	12,768	22,297	24,955
Selling, general and administrative expenses	5,089	7,203	10,309	13,553
Operating profit	6,035	5,565	11,988	11,402
Net interest income and other	399	1,085	976	1,864
Income before income taxes	6,434	6,650	12,964	13,266
Income tax expense	2,458	2,473	4,968	4,935
Net income (A)	$ 3,976	$ 4,177	$ 7,996	$ 8,331
Weighted average shares of common stock (B)	14,118,729	14,209,061	14,102,733	14,206,442
Dilutive effect of stock options	291,589	292,933	241,563	283,648
Common stock and common stock equivalents (C)	14,410,318	14,501,994	14,344,296	14,490,090
Earnings per share:				
Basic (A/B)	$ 0.28	$ 0.29	$ 0.57	$ 0.59
Diluted (A/C)	$ 0.28	$ 0.29	$ 0.56	$ 0.57

See notes to condensed consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
(dollars in thousands)
(unaudited)

	Six Months Ended June 30,	
	2002	2003
Operating Activities		
Net income	$ 7,996	$ 8,331
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,601	4,749
Deferred income taxes	2,636	2,405
Net (gain) loss on sale of assets	1	(24)

Changes in operating assets and liabilities:		
Sales of trading securities, net	568	98
Trade accounts receivable, net	1,738	6,216
Inventories	374	38
Prepaid expenses and other assets	109	(147)
Accounts payable	(3,632)	(2,322)
Income taxes payable	(3,339)	(2,977)
Accrued and other liabilities	(466)	824
Net cash provided by operating activities	10,586	17,191
Investing Activities		
Purchases of investments available for sale	(23,576)	(35,350)
Proceeds from disposition of investments available for sale	10,618	29,066
Purchases of property, plant and equipment	(3,083)	(10,616)
Proceeds from disposition of property plant and equipment	38	122
Net cash used in investing activities	(16,003)	(16,778)
Financing Activities		
Stock options exercised	1,110	359
Principal payments on borrowings, net	(3,349)	(1,689)
Net cash used in financing activities	(2,239)	(1,330)
Effect of exchange rate changes on cash	217	(331)
Net decrease in cash and cash equivalents	(7,439)	(1,248)
Cash and cash equivalents at beginning of period	14,282	13,143
Cash and cash equivalents at end of period	$ 6,843	$ 11,895
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 253	$ 148
Income taxes paid	$ 5,414	$ 5,458
Increase in unrealized gain (loss) on investments available for sale, net of tax	$ (1,819)	$ 1,217

See notes to condensed consolidated financial statements.

STARTEK, INC. AND SUBSIDIARIES

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

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In management's opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results during the three and six months ended June 30, 2003 are not necessarily indicative of operating results that may be expected during any other interim period of 2003.

The condensed consolidated balance sheet as of December 31, 2002 was derived from audited financial statements, but does not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. For further information, refer to consolidated financial statements and footnotes thereto included in StarTek, Inc.'s annual report on Form 10-K for the year ended December 31, 2002.

Stock Option Plans

The Company's stock options plans are accounted for under the intrinsic value recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. Because the exercise price of all options granted under these plans was equal to the market price of the underlying stock on the grant date, no stock-based employee compensation cost is recognized in net income. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", to employee stock benefits.

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

Three Months Ended	Six Months Ended

	June 30,		June 30,	
	2002	2003	2002	2003
Net income, as reported	$ 3,976	$ 4,177	$ 7,996	$ 8,331
Fair value-based compensation cost, net of tax	884	1,129	1,620	1,814
Pro forma net income	$ 3,092	$ 3,048	$ 6,376	$ 6,517
Basic earnings per share				
As reported	$ 0.28	$ 0.29	$ 0.57	$ 0.59
Pro forma	$ 0.22	$ 0.21	$ 0.45	$ 0.46
Diluted earnings per share				
As reported	$ 0.28	$ 0.29	$ 0.56	$ 0.57
Pro forma	$ 0.21	$ 0.21	$ 0.44	$ 0.45

New Accounting Pronouncements

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

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

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

2. Earnings Per Share

Basic earnings per share is computed based on weighted average number of common shares outstanding. Diluted earnings per share is computed based on weighted average number of common shares outstanding plus effects of outstanding stock options using the "treasury stock" method.

3. Investments

As of December 31, 2002, investments available for sale consisted of:

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

As of June 30, 2003, investments available for sale consisted of:

	Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	$ 26,168	$ 744	$ (170)	$ 26,742
Equity securities	17,915	1,046	(857)	18,104
Total	$ 44,083	$ 1,790	$ (1,027)	$ 44,846

As of June 30, 2003, amortized costs and estimated fair values of investments available for sale by contractual maturity were:

	Basis	Estimated Fair Value
Corporate bonds maturing within:		
One year or less	$ 5,249	$ 5,252
Two to five years	19,734	20,380
Due after five years	1,185	1,110
	26,168	26,742
Equity securities	17,915	18,104
Total	$ 44,083	$ 44,846

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

As of December 31, 2002, the Company was invested in trading securities, which, in the aggregate, had an original cost and fair market value of $6,214 and $7,394, respectively. As of June 30, 2003, the Company was invested in trading securities, which, in the aggregate, had an original cost and fair market value of $5,970 and $7,296, respectively. Trading securities consisted primarily of U.S. and international mutual funds and investments in limited partnerships. Certain investments include hedging and derivative securities. Trading securities were held to meet short-term investment objectives. As part of trading securities and as of June 30, 2003, the Company had sold call options for a total of 5,000 shares of U.S. equity securities which, in the aggregate, had a basis and fair market value of $2 and $0, respectively, and sold put options for a total of 76,000 shares of U.S. equity securities which, in the aggregate, had a basis and fair market value of $28 and $15, respectively. The foregoing call and put options were reported net as components of trading securities and expire between July 19, 2003 and November 22, 2003.

Risk of loss to the Company regarding its current investments in the event of nonperformance by any party is not considered substantial. The foregoing call and put options may involve elements of credit and market risks in excess of the amounts recognized in the Company's financial statements. A substantial decline and/or change in value of equity securities, equity prices in general, international equity mutual funds, investment limited partnerships, and/or call and put options could have a material adverse effect on the Company's portfolio of trading securities. Also, trading securities could be materially and adversely affected by increasing interest and/or inflation rates or market expectations thereon, poor management, shrinking product demand, and other risks that may affect single companies, or groups of companies, as well as adverse economic conditions generally.

4. Inventories

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

	December 31, 2002	June 30, 2003
Purchased components and fabricated assemblies	$ 1,373	$ 992
Finished goods	90	433
Total	$ 1,463	$ 1,425

5. Principal Clients

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

	Three months ended June 30,		Six months ended June 30,	
	2002	2003	2002	2003
AT&T Wireless Services, Inc.	28.3%	35.9%	27.2%	35.9%
Microsoft Corp.	27.1%	23.7%	28.4%	24.5%
AT&T Corp.	16.0%	14.2%	15.3%	14.2%
T-Mobile, a subsidiary of Deutsche Telekom	13.9%	14.8%	13.1%	13.7%

The loss of a principal client and/or changes in timing or termination of a principal client's product launch or service offering would have a material adverse effect on the Company's business, revenues, operating results, and financial condition. To limit the Company's credit risk, management performs ongoing credit evaluations of its clients. Although the Company is directly impacted by economic conditions in which its clients operate, management does not believe substantial credit risk existed as of June 30, 2003.

6. Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income", establishes standards for reporting and display of comprehensive income. Comprehensive income is defined essentially as all changes in stockholders' equity, exclusive of transactions with owners. Comprehensive income was $2,526 and $5,662 for the three months ended June 30, 2002 and 2003, respectively. Comprehensive income was $6,507 and $9,846 for the six months ended June 30, 2002 and 2003, respectively.

7. Related Party Transactions

The Company leases office space from a related party at an annual rent of $165. Management believes the terms of the lease to be consistent with prevailing market conditions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

All statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" or elsewhere in this Form 10-Q which are not statements of historical facts are forward-looking statements that involve substantial risks and uncertainties. Forward-looking statements are preceded by terms such as "may", "will", "should", "anticipates", "expects", "believes", "plans", "future", "estimate", "continue", and similar expressions. The following are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, inflation and general economic conditions in the Company's and its clients' markets, risks associated with the Company's reliance on principal clients, loss or delayed implementation of a large project or service offering for a principal client, which could cause substantial quarterly variation in the Company's revenues and earnings, difficulties in managing rapid growth, risks associated with rapidly changing technology, dependence on labor force, risks associated with international operations and expansion, risks from offshore competition, 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 domestic and international markets, risks of business interruptions, volatility of the Company's stock price, risks related to the Company's Internet web site operations, risks related to the Company's portfolio of Internet domain names, and risks related to changes in valuation of the Company's investments. These factors include risks and uncertainties beyond the Company's ability to control, and, in many cases, the Company and its management cannot predict the risks and uncertainties that could cause actual results to differ materially from those indicated by use of forward-looking statements. Similarly, it is impossible for management to foresee or identify all such factors. As such, investors should not consider the foregoing list to be an exhaustive statement of all risks, uncertainties, or potentially inaccurate assumptions. All forward-looking statements herein are made as of the date hereof, and the Company undertakes no obligation to update any such forward-looking statements. All forward-looking statements herein are qualified in their entirety by information set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors That May Affect Future Results" section of the Company's annual report on Form 10-K for the year ended December 31, 2002.

The following table sets forth certain unaudited condensed consolidated income statement data expressed as a percentage of revenues:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2003	2002	2003
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of services	74.3	76.6	75.0	76.3
Gross profit	25.7	23.4	25.0	23.7
Selling, general and administrative expenses	11.8	13.2	11.6	12.9
Operating profit	13.9	10.2	13.4	10.8
Net interest income and other	0.9	2.0	1.1	1.8
Income before income taxes	14.8	12.2	14.5	12.6
Income tax expense	5.6	4.5	5.5	4.7
Net income	9.2%	7.7%	9.0%	7.9%

Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002

Revenues. Revenues increased $11.2 million, or 25.8%, from $43.3 million to $54.5 million during the three months ended June 30, 2002 and 2003, respectively. This increase was largely due to increased revenue from technical support services, together with increases in business process management and supply chain management services.

Cost of Services. Cost of services increased $9.5 million, or 29.6%, from $32.2 million to $41.7 million during the three months ended June 30, 2002 and 2003, respectively. As a percentage of revenues, cost of services was 74.3% and 76.6% during the three months ended June 30, 2002 and 2003, respectively. This percentage increase was primarily a result of changes in the mix of product services provided, together with costs from the ramp-up of two additional facilities and a weakened U.S. dollar in connection with the Company's Canadian operations.

Gross Profit. Gross profit increased $1.7 million, or 14.8%, from $11.1 million to $12.8 million during the three months ended June 30, 2002 and 2003, respectively. As a percentage of revenues, gross profit was 25.7% and 23.4% during the three months ended June 30, 2002 and 2003, respectively.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $2.1 million, or 41.5%, from $5.1 million to $7.2 million during the three months ended June 30, 2002 and 2003, respectively. As a percentage of revenues, selling, general and administrative expenses were 11.8% and 13.2% during the three months ended June 30, 2002 and 2003, respectively. This increase is primarily due to the addition of management personnel and increased infrastructure costs not present in the second quarter of 2002.

Operating Profit. As a result of the foregoing factors, operating profit decreased from $6.0 million to $5.6 million during the three months ended June 30, 2002 and 2003, respectively. As a percentage of revenues, operating profit was 13.9% and 10.2% during the three months ended June 30, 2002 and 2003, respectively.

Net Interest Income and Other. Net interest income and other increased $0.7 million, or 171.9%, from $0.4 million to $1.1 million during the three months ended June 30, 2002 and 2003, respectively. Substantially all 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. The increase is primarily due to improved market conditions, partially offset by lower interest rates.

Income Before Income Taxes. As a result of the foregoing factors, income before income taxes increased $0.3 million, or 3.4%, from $6.4 million to $6.7 million during the three months ended June 30, 2002 and 2003, respectively. As a percentage of revenues, income before income taxes decreased from 14.8% to 12.2% during the three months ended June 30, 2002 and 2003, respectively.

Income Tax Expense. Income tax expense during the three months ended June 30, 2002 and 2003 reflects a provision for federal, state, and foreign income taxes at an effective rate of 38.2% and 37.2%, respectively.

Net Income. Based on the factors discussed above, net income increased $0.2 million, or 5.1%, from $4.0 million to $4.2 million during the three months ended June 30, 2002 and 2003, respectively.

Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002

Revenues. Revenues increased $15.8 million, or 17.6%, from $89.3 million to $105.1 million during the six months ended June 30, 2002 and 2003, respectively. This increase was largely due to increased revenue from technical support services, together with increases in provisioning management and supply chain management services.

Cost of Services. Cost of services increased $13.1 million, or 19.5%, from $67.0 million to $80.1 million during the six months ended June 30, 2002 and 2003, respectively. As a percentage of revenues, cost of services was 75.0% and 76.3% during the six months ended June 30, 2002 and 2003, respectively. This percentage increase was primarily a result of changes in the mix of product services

provided, together with costs from the ramp-up of two additional facilities and a weakened U.S. dollar in connection with the Company's Canadian operations.

Gross Profit. Due to the foregoing factors, gross profit increased $2.7 million, or 11.9%, from $22.3 million to $25.0 million during the six months ended June 30, 2002 and 2003, respectively. As a percentage of revenues, gross profit was 25.0% and 23.7% during the six months ended June 30, 2002 and 2003, respectively.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $3.3 million, or 31.5%, from $10.3 million to $13.6 million during the six months ended June 30, 2002 and 2003, respectively. As a percentage of revenues, selling, general and administrative expenses were 11.6% and 12.9% during the six months ended June 30, 2002 and 2003, respectively. This increase is primarily due to the addition of management personnel and increased infrastructure costs not present in the first six months of 2002.

Operating Profit. As a result of the foregoing factors, operating profit decreased from $12.0 million to $11.4 million during the six months ended June 30, 2002 and 2003, respectively. As a percentage of revenues, operating profit was 13.4% and 10.8% during the six months ended June 30, 2002 and 2003, respectively.

Net Interest Income and Other. Net interest income and other increased $0.9 million, or 91.0%, from $1.0 million to $1.9 million during the six months ended June 30, 2002 and 2003, respectively. Substantially all 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. The increase is primarily due to improved market conditions, partially offset by lower interest rates.

Income Before Income Taxes. As a result of the foregoing factors, income before income taxes increased $0.3 million, or 2.3%, from $13.0 million to $13.3 million during the six months ended June 30, 2002 and 2003, respectively. As a percentage of revenues, income before income taxes decreased from 14.5% to 12.6% during the six months ended June 30, 2002 and 2003, respectively.

Income Tax Expense. Income tax expense during the six months ended June 30, 2002 and 2003 reflects a provision for federal, state, and foreign income taxes at an effective rate of 38.3% and 37.2%, respectively.

Net Income. Based on the factors discussed above, net income increased $0.3 million, or 4.2%, from $8.0 million to $8.3 million during the six months ended June 30, 2002 and 2003, respectively.

Liquidity and Capital Resources

Since its initial public offering, the Company has primarily financed its operations, liquidity requirements, capital expenditures, and capacity expansion through cash flows from operations, and to a lesser degree, through various forms of debt and leasing arrangements.

The Company had a $10.0 million unsecured line of credit with Wells Fargo Bank West, N.A. (the "Bank") that expired on June 30, 2003. The Company has established a new unsecured $10.0 million line of credit agreement with the Bank that expires on June 30, 2005. Borrowings under the new line of credit bear interest at the Bank's prime rate minus 1% (3.00% as of June 30, 2003). Under this line of credit, the Company is required to maintain minimum tangible net worth of $80.0 million and operate at a profit. The Company may not pay dividends in an amount that would cause a failure to meet these financial covenants. As of June 30, 2003 and the date of this Form 10-Q, the Company was in compliance with the financial covenants, and no balance was outstanding under the line of credit.

As of June 30, 2003, the Company had cash, cash equivalents, and investment balances of $64.0 million, working capital of $83.3 million, and stockholders' equity of $124.9 million. Cash and cash equivalents are not restricted. On August 5, 2003, the Board of Directors declared a quarterly cash dividend of $0.36 per share, payable August 29, 2003 to StarTek holders of record on August 15, 2003. See "*Quantitative and Qualitative Disclosure About Market Risk*" set forth herein for further discussions regarding the Company's cash, cash equivalents, investments available for sale, and trading securities.

Net cash provided by operating activities was $10.6 million and $17.2 million for the six months ended June 30, 2002 and 2003, respectively. The increase was primarily a result of additional cash flow from the collection of accounts receivable, a reduction in accounts payable and other net changes in operating assets.

Net cash used in investing activities was $16.0 million and $16.8 million for the six months ended June 30, 2002 and 2003, respectively. This increase was primarily due to an increase in purchases of property, plant, and equipment, offset by a decrease in net purchases of investments available for sale.

Net cash used in financing activities was $2.2 million and $1.3 million for the six months ended June 30, 2002 and 2003, respectively. Financing activities during both periods consisted of principal payments on borrowings, partially offset by proceeds from exercises of employee stock options.

The effect of currency exchange rate changes on translation of the Company's United Kingdom operations was not substantial during the six months ended June 30, 2003. However, the Canadian dollar strengthened against the U.S. dollar in the first six months of 2003, and did increase the cost of services in the Company's Canadian operations. Terms of the Company's agreements with clients and subcontractors are typically in U.S. dollars except for certain agreements related to its United Kingdom and Canada operations. If the international portion of the Company's business continues to grow, more revenues and expenses will be denominated in foreign currencies, which increases the Company's exposure to fluctuations in currency exchange rates. See "*Quantitative and Qualitative Disclosure About Market Risk*" set forth herein for a further discussion of the Company's exposure to foreign currency exchange risks in connection with its investments.

Management believes the Company's cash, cash equivalents, investments, anticipated cash flows from future operations, and $10.0 million line of credit will be sufficient to support its operations, capital expenditures, and various repayment obligations under its debt and lease agreements for the foreseeable future. Liquidity and capital requirements depend on many factors, including, but not limited to, the Company's ability to retain or successfully and timely replace its principal clients and the rate at which the Company expands its business, whether internally or through acquisitions and strategic alliances. To the extent funds generated from sources described above are insufficient to support the Company's activities in the short or long-term, the Company will be required to raise additional funds through public or private financing. No assurance can be given that additional financing will be available, or if available, it will be available on terms favorable to the Company.

Contractual Obligations (in thousands)

	Less than one year	One to three years	Four to five years	After five years	Total
Long-term debt[1]	$ 2,282	$ 3,182	$ 52	$ 103	$ 5,619
Operating leases[2]	2,352	4,565	3,818	4,727	15,462
Purchase obligations[3]	5,860	3,484	1,248	—	10,592
Total contractual obligations	$ 10,494	$ 11,231	$ 5,118	$ 4,830	$ 31,673

(1) Long-term debt consists of fixed rate equipment loans ranging from 5.0% to 5.4%, variable rate equipment loans, non-interest bearing promissory notes, and other debt obligations.

(2) The Company leases facilities and equipment under various non-cancelable operating leases.

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

Operating leases include the lease of office space from a related party at an annual rental of $165,000. Management believes the terms of the lease to be consistent with prevailing market conditions.

Critical Accounting Policies and Judgments

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

As part of cash management, the Company invests in investment-grade corporate bonds, non investment-grade corporate bonds, bond mutual funds, equity mutual funds, international mutual funds, investment partnerships, real estate investment trusts, and various forms of equity securities. Investments are classified as trading securities and investments available for sale based on the Company's intent at the date of purchase. Trading securities are bought and held principally for the purpose of selling them in the near term. Debt securities that the Company has both the positive intent and ability to hold to maturity are classified as held to maturity. The Company currently has no investments in this classification. All other investments not deemed to be trading securities or held to maturity are classified as investments available for sale. Trading securities and investments available for sale are carried at fair market values. Fair market values are determined by the most recently traded price of the security or underlying investment at the balance sheet date. Due to the potential limited liquidity of some of these instruments, the most recently traded price may be different from the value that might be realized if the Company were to sell or close out the transactions. Management does not believe such differences are substantial to the Company's results of operations, financial condition, or liquidity. Changes in the fair market value of trading securities are reflected on the income statement. Temporary changes in the fair market value of investments held for sale are reflected in stockholders' equity. The Company exercises judgment in periodically evaluating investments for impairment. Investments are evaluated for other-than-temporary impairment if the fair value was below cost after six months. The Company then considers additional factors such as market conditions, the industry sectors in which the investment entity operates, and the viability and prospects of each entity. A write-down of the related investment is recorded when an impairment is considered other than temporary.

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

The Company exercises judgment in evaluating its long-lived assets for impairment. Management believes the Company's businesses will generate sufficient undiscounted cash flow to more than recover the investments it has made in property, plant and equipment.

New Accounting Pronouncements

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

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

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

Inflation and General Economic Conditions

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

Reliance on Principal Client Relationships

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

	Three months ended June 30,		Six months ended June 30,	
	2002	2003	2002	2003
AT&T Wireless Services, Inc.	28.3%	35.9%	27.2%	35.9%
Microsoft Corp.	27.1%	23.7%	28.4%	24.5%
AT&T Corp.	16.0%	14.2%	15.3%	14.2%
T-Mobile, a subsidiary of Deutsche Telekom	13.9%	14.8%	13.1%	13.7%

The loss of a principal client and/or changes in timing or termination of a principal client's product launch or service offering would have a material adverse effect on the Company's business, revenues, operating results, and financial condition. There can be no assurance the Company will be able to retain its principal clients or, if it were to lose its principal clients, would be able to timely replace such clients that generate a comparable amount of revenue. Additionally, the amount and growth rate of revenues derived from its principal clients in the past is not necessarily indicative of revenues that may be expected from such clients in the future.

Variability of Quarterly Operating Results

The Company's business is seasonal and is at times conducted in support of product launches for new and existing clients. Historically, the Company's revenues have been substantially lower in the quarters preceding the fourth quarter due to timing of its clients' marketing programs and product launches, which are typically geared toward the holiday buying season. However, the Company's revenues and operating results for the three and six months ended June 30, 2003 are not necessarily indicative of revenues or operating results that may be experienced in future periods. Additionally, the Company has experienced and expects to continue to experience, quarterly variations in revenues and operating results as a result of a variety of factors, many of which are outside the Company's control, including: (i) timing of existing and future client product launches or service offerings; (ii) expiration or termination of client projects; (iii) timing and amount of costs incurred to expand capacity in order to provide for further revenue growth from existing and future clients; (iv) seasonal nature of certain clients' businesses; (v) cyclical nature of certain high technology clients' businesses; and (vi) changes in the amount and growth rate of revenues generated from the Company's principal clients.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

The following discusses the Company's exposure to market risks related to changes in interest rates and other general market risks, equity market prices and other general market risks, and foreign currency exchange rates as of June 30, 2003. All of the Company's investment decisions are supervised or managed by its Chairman of the Board. The Company's investment portfolio policy, approved by the Board of Directors during 2001, provides for, among other things, investment objectives and portfolio allocation guidelines. This discussion contains forward-looking statements subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors, including but not limited to, changes in interest and inflation rates or market expectations thereon, equity market prices, foreign currency exchange rates, and those set forth in the "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors That May Affect Future Results" section of the Company's annual report on Form 10-K for the year ended December 31, 2002.

Interest Rate Sensitivity and Other General Market Risks

Cash and Cash Equivalents. The Company had $11.9 million in cash and cash equivalents, which consisted of: (i) $6.5 million invested in various money market funds and overnight investments at a

combined weighted average interest rate of approximately 1.03%; and (ii) $5.4 million in various non-interest bearing accounts. Cash and cash equivalents are not restricted. On August 5, 2003 the Board of Directors declared a quarterly cash dividend of $0.36 per share, payable August 29, 2003 to StarTek holders of record on August 15, 2003. Management considers cash equivalents to be short-term, highly liquid investments readily convertible to known amounts of cash, and so near their maturity they present insignificant risk of changes in value because of changes in interest rates. The Company does not expect any substantial loss with respect to its cash and cash equivalents as a result of interest rate changes, and estimated fair value of its cash and cash equivalents approximates original cost.

Investments Available for Sale. The Company had investments available for sale, which, in the aggregate, had a basis and fair market value of $44.1 million and $44.8 million, respectively. Investments available for sale generally consisted of investment-grade corporate bonds, non investment-grade corporate bonds, bond mutual funds, and various forms of equity securities. The Company's investment portfolio is subject to interest and inflation rate risks and will fall in value if market interest and/or inflation rates or market expectations thereon increase.

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

The table below provides information as of June 30, 2003 about maturity dates and corresponding weighted average interest rates related to certain of the Company's investments available for sale:

		Expected Maturity Date - -Basis- (dollars in thousands)							
	Weighted Average Interest Rates	1 year	2 years	3 years	4 years	5 years	Thereafter	Total	Fair Value
Corporate bonds	5.21%	$ 5,249						$ 5,249	$ 5,252
Corporate bonds	7.16%		$ 10,884					10,884	11,037
Corporate bonds	6.65%			$ 3,353				3,353	3,299
Corporate bonds	8.14%				$ 5,497			5,497	6,044
Corporate bonds	0.00%						$ 1,185	1,185	1,110
Total	6.58%	$ 5,249	$ 10,884	$ 3,353	$ 5,497	$ —	$ 1,185	$ 26,168	$ 26,742

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

As part of its investments available for sale portfolio, the Company was invested in equity securities that, in aggregate, had a basis and fair market value of $17.9 million and $18.1 million, respectively.

Outstanding Debt of the Company. As of June 30, 2003, the Company had outstanding debt of $5.6 million, $0.1 million of which bears no interest as long as the Company complies with the terms of the debt arrangement. The payments on this non interest-bearing note are funded through certain incentive provisions.

The following table provides information as of June 30, 2003 about loans entered into by the Company that are secured by the equipment purchased with the loan proceeds:

Loan date	Term	Interest rate	Outstanding	Covenants/Penalties
10/22/99	48 months	Variable (2.4% at 6/30/03)	$0.2 million	Maintenance of certain operating ratios.
11/2/01	48 months	5.02%	$4.7 million US (Canadian loan)	Penalty if prepaid in first two years.
12/6/01	48 months	5.41%	$0.5 million US (Canadian loan)	Penalty if prepaid in first two years.

As of June 30, 2003 and the date of this Form 10-Q, the Company was in compliance with the financial covenants of these loans.

Management believes a hypothetical 10.0% increase in interest rates would not have a material adverse effect on the Company. Increases in interest rates would, however, increase interest expense associated with the Company's existing variable rate equipment loan and future borrowings by the Company, if any. For example, the Company may from time to time effect borrowings under its $10.0 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 $10.0 million line of credit bear interest at the lender's prime rate less 1% (3.0% as of June 30, 2003). As of June 30, 2003 and the date of this Form 10-Q, the Company was in compliance with the financial covenants pertaining to the line of credit, and no balance was outstanding under this line of credit. In the past, the Company has not hedged against interest rate changes.

Equity Price Risks, General Market Risks, and Other Risks

Equity Securities. The Company held in its investments available for sale portfolio certain equity securities with basis and fair market value as of June 30, 2003, in the aggregate, of $17.9 million and $18.1 million, respectively. Equity securities primarily consisted of publicly traded common stock of U.S. based companies, equity mutual funds, and real estate investment trusts. A substantial decline in values of equity securities and equity prices in general would have a material adverse effect on the Company's equity investments. Also, prices of common stocks held by the Company could generally be expected to be adversely affected by increasing inflation and/or interest rates or market expectations thereon, poor management, shrinking product demand, and other risks that may affect single companies, or as groups of companies, as well as adverse economic conditions generally. The company has partially hedged against some equity price changes.

Trading Securities. The Company was invested in trading securities, which, in the aggregate, had an original cost and fair market value as of June 30, 2003, of $6.0 million and $7.3 million, respectively. Trading securities consisted primarily of U.S. and international mutual funds, investments in limited partnerships, and U.S. equity securities. Trading securities were held to meet short-term investment objectives. As part of trading securities and as of June 30, 2003, the Company had sold call options for a total of 5,000 shares of U.S. equity securities which, in the aggregate, had a basis and market value of approximately $2,000 and $300, and sold put options for a total of 76,000 shares of U.S. equity securities which, in the aggregate, had a basis and market value of approximately $28,000 and $15,000. The foregoing call and put options were reported net as components of trading securities and expire between July and November 2003.

Risk of loss to the Company regarding its current investments in the event of nonperformance by any party is not considered substantial. Due to the potential limited liquidity of some of these instruments, the most recently traded price may be different from values that might be realized if the Company were to sell or close out the transactions. Management does not believe such differences are substantial to the Company's results of operations, financial condition, or liquidity. The foregoing call and put options may involve elements of credit and market risks in excess of the amounts recognized in the Company's financial statements. A substantial decline and/or change in value of equity securities, equity prices in general, international equity mutual funds, investments in limited partnerships, and/or call and put options could have a material adverse effect on the Company's portfolio of trading securities. Also, trading securities could be materially and adversely affected by increasing interest and/or inflation rates or market expectations thereon, poor management, shrinking product demand, and other risks that may affect single companies, or groups of companies, as well as adverse economic conditions generally.

Foreign Currency Exchange Risks

Of the Company's revenues for the three months ended June 30, 2003, 2.8% were derived from arrangements whereby the Company received payments from clients in currencies other than U.S. dollars. Terms of the Company's agreements with clients and subcontractors are typically in U.S. dollars except for certain agreements related to its United Kingdom and Canada operations. If an arrangement provides for the Company to receive payments in a foreign currency, revenues realized from such an arrangement may be lower 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 higher if the value of such foreign currency increases. For example, a 10% change in the relative value of such foreign currency could cause a related 10% change in the Company's previously expected revenues, cost of services, and operating expenses. If the international portion of the Company's business continues to grow, more revenues and expenses will be denominated in foreign currencies, which increases the Company's exposure to fluctuations in currency exchange rates. In the past, the Company has not hedged against foreign currency exchange rate changes related to its international operations.

Item 4. Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There was no change in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. ***OTHER INFORMATION***

Item 4. Submission of Matters to a Vote of Security Holders

(a) On May 29, 2003, the Company held its 2003 annual meeting of stockholders (the "Annual Meeting").

(b) One matter voted on at the Annual Meeting was the election of all six directors of the Company. The six nominees, five of whom were existing directors of the Company, were elected at the Annual Meeting as directors of the Company, receiving the number and percentage of votes for election as set forth below:

Nominees	For Election		Withheld	
A. Emmet Stephenson, Jr.	9,330,915	(83.52%)	1,840,664	(16.48%)
William E. Meade, Jr.	9,587,994	(85.82%)	1,583,885	(14.18%)
Michael W. Morgan	9,329,842	(83.51%)	1,841,737	(16.49%)
Ed Zschau	10,851,739	(97.14%)	319,940	(2.86%)
Hank Brown	10,851,511	(97.13%)	320,168	(2.87%)
Michael Shannon	10,851,711	(97.14%)	319,968	(2.86%)

(c) The only other matter voted upon at the Annual Meeting was a proposal to ratify and approve the selection of Ernst & Young LLP as the Company's independent auditors for 2003. This proposal, which was approved, received the number and percentage of votes as set forth below:

	Votes	
For	11,052,013	(98.93%)
Against	118,800	(1.06%)
Abstain	866	(0.01%)

(d) Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.32	Credit Agreement and $10,000,000 Revolving Line of Credit Note dated June 30, 2003 between StarTek, Inc. and StarTek USA, Inc. and Wells Fargo Bank, National Association
31.1	Section 302 Certification by William E. Meade, Jr.
31.2	Section 302 Certification by David I. Rosenthal
32.1	Section 906 Certification by William E. Meade, Jr.
32.2	Section 906 Certification by David I. Rosenthal.

(b) Reports on Form 8-K

On May 7, 2003, the Company filed a report on Form 8-K under Item 5, reporting its press release dated May 7, 2003 regarding first quarter results of operations for 2003.

SIGNATURES

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

STARTEK, INC.

(Registrant)

Date: August 14, 2003 /s/ A. EMMET STEPHENSON, JR.

A. Emmet Stephenson, Jr.
Chairman of the Board

Date: August 14, 2003 /s/ WILLIAM E. MEADE, JR.

		William E. Meade, Jr. *President, Chief Executive Officer, and Director*
Date:	August 14, 2003	/s/ DAVID I. ROSENTHAL
		David I. Rosenthal *Executive Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)*

Exhibit 10.32

CREDIT AGREEMENT

THIS AGREEMENT is entered into as of June 30, 2003, by and between STARTEK, INC., a Delaware corporation and STARTEK USA, INC., a Colorado corporation ("Borrower"), ("severally and collectively Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

Borrower has requested from Bank the credit accommodations described below (each, a "Credit" and collectively, the "Credit"), and Bank has agreed to provide Credit to Borrowers on the terms and conditions contained herein.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

ARTICLE I
CREDIT TERMS

SECTION 1.1. LINE OF CREDIT.

(a) *Line of Credit.* Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including June 30, 2005, not to exceed at any time the aggregate principal amount of Ten Million Dollars ($10,000,000.00) ("Line of Credit"), the proceeds of which shall be used for working capital. Borrower's obligation to repay advances under the Line of Credit shall be evidenced by a promissory note substantially in the form of Exhibit "A" attached hereto ("Line of Credit Note"), all terms of which are incorporated herein by this reference.

(b) *Limitation on Borrowings.* Outstanding borrowings under the Line of Credit, to a maximum of the principal amount set forth above, shall not at any time exceed an aggregate of Fifteen Million Dollars ($10,000,000.00).

(c) *Borrowing and Repayment.* Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Line of Credit Note; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, as set forth above.

SECTION 1.2. INTEREST/FEES.

(a) *Interest.* The outstanding principal balance of each credit subject hereto shall bear interest at the rate of interest set forth in each promissory note or other instrument or document executed in connection therewith.

(b) *Computation and Payment.* Interest shall be computed on the basis of a 360-day year, actual days elapsed. Interest shall be payable at the times and place set forth in each promissory note or other instrument or document required hereby.

(c) *Commitment Fee.* Borrower shall pay to Bank a non-refundable commitment fee for the Line of Credit equal to Ten Thousand Dollars ($10,000.00), which fee shall be due and payable monthly beginning June 30, 2003.

SECTION 1.3. COLLECTION OF PAYMENTS. STARTEK USA, INC authorizes Bank to collect all principal, interest and fees due under each credit subject hereto by charging STARTEK USA, INC's deposit account number [9999999999] with Bank, or any other deposit account maintained by Borrower

with Bank, for the full amount thereof. Should there be insufficient funds in any such deposit account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by Borrower.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Bank, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank subject to this Agreement.

SECTION 2.1. LEGAL STATUS. STARTEK, INC is a corporation, duly organized and existing and in good standing under the laws of the State of Delaware and STARTEK USA, INC is a corporation, duly organized and existing and in good standing under the laws of the State of Colorado and is qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could have a material adverse effect on Borrower.

SECTION 2.2. AUTHORIZATION AND VALIDITY. This Agreement and each promissory note, contract, instrument and other document required hereby or at any time hereafter delivered to Bank in connection herewith (collectively, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same, enforceable in accordance with their respective terms.

SECTION 2.3. NO VIOLATION. The execution, delivery and performance by Borrower of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the Articles of Incorporation or By-Laws of Borrower, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower may be bound.

SECTION 2.4. LITIGATION. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could have a material adverse effect on the financial condition or operation of Borrower other than those disclosed by Borrower to Bank in writing prior to the date hereof.

SECTION 2.5. CORRECTNESS OF FINANCIAL STATEMENT. The financial statement Borrower dated December 31, 2002, a true copy of which has been delivered by Borrower to Bank prior to the date hereof, (a) is complete and correct and presents fairly the financial condition of Borrower (b) discloses all liabilities of Borrower that are required to be reflected or reserved against under generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) has been prepared in accordance with generally accepted accounting principles consistently applied. Since the date of such financial statement there has been no material adverse change in the financial condition of Borrower, nor has Borrower mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or as otherwise permitted by Bank in writing.

SECTION 2.6. INCOME TAX RETURNS. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year.

SECTION 2.7. NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in

right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower.

SECTION 2.8. PERMITS, FRANCHISES. Borrower possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law.

SECTION 2.9. ERISA. Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Borrower has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a "Plan"); no Reportable Event as defined in ERISA has occurred and is continuing with respect to any Plan initiated by Borrower; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under generally accepted accounting principles.

SECTION 2.10. OTHER OBLIGATIONS. Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

SECTION 2.11. ENVIRONMENTAL MATTERS. Except as disclosed by Borrower to Bank in writing prior to the date hereof, Borrower is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

ARTICLE III
CONDITIONS

SECTION 3.1. CONDITIONS OF INITIAL EXTENSION OF CREDIT. The obligation of Bank to extend any credit contemplated by this Agreement is subject to the fulfillment to Bank's satisfaction of all of the following conditions:

(a) *Approval of Bank Counsel.* All legal matters incidental to the extension of credit by Bank shall be satisfactory to Banks counsel.

(b) *Documentation.* Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed:

(i) This Agreement and each promissory note or other instrument or document required hereby.

(ii) Corporate Resolution: Borrowing (2).

(iii) Certificate of Incumbency (2).

(iv) Such other documents as Bank may require under any other Section of this Agreement.

(c) *Financial Condition.* There shall have been no material adverse change, as determined by Bank, in the financial condition or business of Borrower or any guarantor hereunder, nor any material decline, as determined by Bank, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower or any such guarantor.

(d) *Insurance.* Borrower shall have delivered to Bank evidence of insurance coverage on all Borrower's property, in form, substance, amounts, covering risks and issued by companies satisfactory to Bank, and where required by Bank, with loss payable endorsements in favor of Bank.

SECTION 3.2. CONDITIONS OF EACH EXTENSION OF CREDIT. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction of each of the following conditions:

(a) *Compliance.* The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Agreement and on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date, and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.

(b) *Documentation.* Bank shall have received all additional documents which may be required in connection with such extension of credit.

ARTICLE IV
AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall, unless Bank otherwise consents in writing:

SECTION 4.1. PUNCTUAL PAYMENTS. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein, and immediately upon demand by Bank, the amount by which the outstanding principal balance of any credit subject hereto at any time exceeds any limitation on borrowings applicable thereto.

SECTION 4.2. ACCOUNTING RECORDS. Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower.

SECTION 4.3. FINANCIAL STATEMENTS. Provide to Bank all of the following, in form and detail satisfactory to Bank for STARTEK, INC:

(a) not later than 90 days after and as of the end of each fiscal year, a financial statement to include the 10K report;

(b) not later than 45 days after and as of the end of each quarter, a financial statement to include the 10Q report;

(c) not later than 90 days after and as of the end of each fiscal year, an aged listing of accounts receivable and accounts payable, and a reconciliation of accounts;

(d) from time to time such other information as Bank may reasonably request from the Borrower.

SECTION 4.4. COMPLIANCE. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; and comply with the provisions of all documents pursuant to which Borrower is organized and/or which govern Borrower's continued existence and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to Borrower and/or its business.

SECTION 4.5. INSURANCE. Maintain and keep in force insurance of the types and in amounts customarily carried in lines of business similar to that of Borrower, including but not limited to fire, extended coverage, public liability, flood, property damage and workers' compensation, with all such insurance carried with companies and in amounts satisfactory to Bank, and deliver to Bank from time to time at Bank's request schedules setting forth all insurance then in effect.

SECTION 4.6. FACILITIES. Keep all properties useful or necessary to Borrower's business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

SECTION 4.7. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal including without limitation federal and state income taxes and state and local property taxes and assessments, except such (a) as Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower has made provision, to Bank's satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

SECTION 4.8. LITIGATION. Promptly give notice in writing to Bank of any litigation pending or threatened against Borrower with a claim in excess.

SECTION 4.9. FINANCIAL CONDITION. Maintain STARTEK, INC's consolidated financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

(a) Tangible Net Worth measured at the end of each fiscal year, with "Tangible Net Worth" defined as the aggregate of total stockholders' equity plus subordinated debt less any intangible assets, not at any time less than $80,000,000.00 through December 30, 2003 and shall increase (but never decrease) as of December 31, 2003 and as of the close of each fiscal year by an amount equal to 25% of net income (but only if positive) for each fiscal year then ended.

(b) Net income after taxes not less than $1.00 on an annual basis, determined as of each fiscal year end. Company shall not post losses in any two consecutive quarters. Borrower could lose its entire investment in and notes receivable from Gifts.com, Inc. For the purposes of this Section 4.9 (b) any write-down pertaining to Gifts.com, Inc. will be excluded.

SECTION 4.10. NOTICE TO BANK. Promptly (but in no event more than five (5) days after the occurrence of each such event or matter) give written notice to Bank in reasonable detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name or the organizational structure of Borrower; (c) the occurrence and nature of any

Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan; or (d) any termination or cancellation of any insurance policy which Borrower is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting Borrower's property.

ARTICLE V
NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower will not without Bank's prior written consent:

SECTION 5.1. USE OF FUNDS. Use any of the proceeds of any credit extended hereunder except for the purposes stated in Article I hereof.

SECTION 5.2. OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, that exceeds $10,000,000.00 per transaction and $15,000,000.00 in the aggregate during the term of the loan, except (a) the liabilities of Borrower to Bank, and (b) any other liabilities of Borrower existing as of, and disclosed to Bank prior to, the date hereof.

SECTION 5.3. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity; make any substantial change in the nature of Borrower's business as conducted as of the date hereof; acquire all or substantially all of the assets of any other entity; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrower's assets except in the ordinary course of its business or upon prior written consent of Bank, which will not be unreasonably withheld.

SECTION 5.4. GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any assets of Borrower as security for, any liabilities or obligations of any other person or entity, except any of the foregoing in favor of Bank.

SECTION 5.5. LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to or investments in any person or entity in excess of $15,000,000.00 during the term of the loan, except any of the foregoing existing as of, and disclosed to Bank prior to, the date hereof. This excludes current trading or investment for sale portfolio.

SECTION 5.6. DIVIDENDS, DISTRIBUTIONS. Declare or pay any dividend or distribution either in cash, stock or any other property on Borrower's stock now or hereafter outstanding, nor redeem, retire, repurchase or otherwise acquire any shares of any class of Borrower's stock now or hereafter outstanding in such amounts that would cause a failure to comply with the terms of this agreement.

SECTION 5.7. PLEDGE OF ASSETS. Mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired that exceeds $10,000,000.00 per transaction and $15,000,000.00 in the aggregate during the term of the loan, except any of the foregoing in favor of Bank or which is existing as of, and disclosed to Bank in writing prior to, the date hereof. Borrower shall allow no person or entity a security interest in, or lien upon, its accounts receivable or inventory without prior written consent of Bank.

ARTICLE VI
EVENTS OF DEFAULT

SECTION 6.1. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

(a) Borrower shall fail to pay when due any principal, interest, fees or other amounts payable under any of the Loan Documents.

(b) Any financial statement or certificate furnished to Bank in connection with, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.

(c) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those referred to in subsections (a) and (b) above), and with respect to any such default which by its nature can be cured, such default shall continue for a period of twenty (20) days from its occurrence.

(d) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract or instrument (other than any of the Loan Documents) pursuant to which Borrower has incurred any debt or other liability to any person or entity, including Bank.

(e) The filing of a notice of judgment lien against Borrower; or the recording of any abstract of judgment against Borrower in any county in which Borrower has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Borrower; or the entry of a judgment against Borrower.

(f) Borrower shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time ("Bankruptcy Code"), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower, or Borrower shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.

(g) There shall exist or occur any event or condition which Bank in good faith believes impairs, or is substantially likely to impair, the prospect of payment or performance by Borrower of its obligations under any of the Loan Documents.

(h) The dissolution or liquidation of Borrower or any of its directors, stockholders or members, shall take action seeking to effect the dissolution or liquidation of Borrower.

(i) Any change in ownership during the term of this Agreement of an aggregate of twenty-five percent (25%) or more of the common stock of Borrower.

SECTION 6.2. REMEDIES. Upon the occurrence of any Event of Default: (a) all indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice become immediately due and payable without presentment,

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demand, protest or notice of dishonor, all of which are hereby expressly waived by each Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VII
MISCELLANEOUS

SECTION 7.1. NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 7.2. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER:	STARTEK, INC. STARTEK USA, INC. 100 Garfield Street Denver, Colorado 80270
BANK:	WELLS FARGO BANK, NATIONAL ASSOCIATION 1740 Broadway Denver, Colorado 80274

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 7.3. COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in connection with (a) the negotiation and preparation of this Agreement and the other Loan Documents, Bank's continued administration hereof and thereof, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to any Borrower or any other person or entity.

SECTION 7.4. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or transfer its interest hereunder without Banks prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents. In connection therewith, Bank may disclose all documents and information which Bank now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business, or any collateral required hereunder.

SECTION 7.5. ENTIRE AGREEMENT; AMENDMENT. This Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 7.6. NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 7.7. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 7.8. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 7.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 7.10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado.

SECTION 7.11. ARBITRATION.

(a) *Arbitration.* The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise arising out of or relating to in any way (i) the loan and related Loan Documents which are the subject of this Agreement and its negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit.

(b) *Governing Rules.* Any arbitration proceeding will (i) proceed in a location in Colorado selected by the American Arbitration Association ("AAA"); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least $1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to, as

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applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) *No Waiver of Provisional Remedies Self-Help and Foreclosure.* The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) *Arbitrator Qualifications and Powers.* Any arbitration proceeding in which the amount in controversy is $5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than $5,000,000.00. Any dispute in which the amount in controversy exceeds $5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State of Colorado or a neutral retired judge of the state or federal judiciary of Colorado, in either case with a minimum of ten years experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of Colorado and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the Colorado Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) *Discovery.* In any arbitration proceeding discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date and within 180 days of the filing of the dispute with the AAA. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) *Class Proceedings and Consolidations.* The resolution of any dispute arising pursuant to the terms of this Agreement shall be determined by a separate arbitration proceeding and such dispute shall not be consolidated with other disputes or included in any class proceeding.

(g) *Payment Of Arbitration Costs And Fees.* The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) *Miscellaneous.* To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

STARTEK, INC.

By: /s/ WILLIAM E. MEADE, JR.

William E. Meade, Jr.,
President/Chief Executive Officer

By: /s/ DAVID I. ROSENTHAL

David I. Rosenthal,
Chief Financial Officer

STARTEK USA, INC.

By: /s/ WILLIAM E. MEADE, JR.

William E. Meade, Jr.,
President/Chief Executive Officer

By: /s/ DAVID I. ROSENTHAL

David I. Rosenthal,
Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ WENDEE CROWLEY

Wendee Crowley,
Assistant Vice President

Exhibit A to the Credit Agreement dated June 30, 2003

WELLS FARGO

REVOLVING LINE OF CREDIT NOTE

$10,000,000.00

Denver, Colorado
June 30, 2003

FOR VALUE RECEIVED, the undersigned **StarTek, Inc. and StarTek USA, Inc.** ("Borrower") promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") at its office at **Colorado South RCBO**, **1740 Broadway, 3rd Floor, Denver, CO 80274**, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of **$10,000,000.00**, or so much thereof as may be advanced and be outstanding, with interest thereon, to be computed on each advance from the date of its disbursement as set forth herein.

1. DEFINITIONS:

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

1.1 "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in Colorado are authorized or required by law to close.

1.2 "Fixed Rate Term" means a period commencing on a Business Day and continuing for **1, 2 or 3 months**, as designated by Borrower, during which all or a portion of the outstanding principal balance of this Note bears interest determined in relation to LIBOR; provided however, that no Fixed Rate Term may be selected for a principal amount less than **$100,000.00**; and provided further, that no Fixed Rate Term shall extend beyond the scheduled maturity date hereof. If any Fixed Rate Term would end on a day which is not a Business Day, then such Fixed Rate Term shall be extended to the next succeeding Business Day.

1.3 "LIBOR" means the rate per annum (rounded upward, if necessary, to the nearest whole $^{1}/_{8}$ of 1%) determined by dividing Base LIBOR by a percentage equal to 100% less any LIBOR Reserve Percentage.

(a) "Base LIBOR" means the rate per annum for United States dollar deposits quoted by Bank as the Inter-Bank Market Offered Rate, with the understanding that such rate is quoted by Bank for the purpose of calculating effective rates of interest for loans making reference thereto, on the first day of a Fixed Rate Term for delivery of funds on said date for a period of time approximately equal to the number of days in such Fixed Rate Term and in an amount approximately equal to the principal amount to which such Fixed Rate Term applies. Borrower understands and agrees that Bank may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Bank in its discretion deems appropriate including, but not limited to, the rate offered for U.S. dollar deposits on the London Inter-Bank Market.

(b) "LIBOR Reserve Percentage" means the reserve percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Bank for expected changes in such reserve percentage during the applicable Fixed Rate Term.

1.4 "Prime Rate" means at any time the rate of interest most recently announced within Bank at its principal office as its Prime Rate, with the understanding that the Prime Rate is one of Bank's base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, and is evidenced by the recording thereof after its announcement in such internal publication or publications as Bank may designate.

2. INTEREST:

2.1 *Interest*. The outstanding principal balance of this Note shall bear interest (computed on the basis of a **360**-day year, actual days elapsed) either (a) at a fluctuating rate per annum **1.00000%** below the Prime Rate in effect from time to time, or (b) at a fixed rate per annum determined by Bank to be **1.85000%** above LIBOR in effect on the first day of the applicable Fixed Rate Term. When interest is determined in relation to the Prime Rate, each change in the rate of interest hereunder shall become effective on the date each Prime Rate change is announced within Bank. With respect to each LIBOR selection option selected hereunder, Bank is hereby authorized to note the date, principal amount, interest rate and Fixed Rate Term applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted.

2.2 *Selection of Interest Rate Options*. At any time any portion of this Note bears interest determined in relation to LIBOR, it may be continued by Borrower at the end of the Fixed Rate Term applicable thereto so that all or a portion thereof bears interest determined in relation to the Prime Rate or to LIBOR for a new Fixed Rate Term designated by Borrower. At any time any portion of this Note bears interest determined in relation to the Prime Rate, Borrower may convert all or a portion thereof so that it bears interest determined in relation to LIBOR for a Fixed Rate Term designated by Borrower. At such time as Borrower requests an advance hereunder or wishes to select a LIBOR option for all or a portion of the outstanding principal balance hereof, and at the end of each Fixed Rate Term, Borrower shall give Bank notice specifying: (a) the interest rate option selected by Borrower; (b) the principal amount subject thereto; and (c) for each LIBOR selection, the length of the applicable Fixed Rate Term. Any such notice may be given by telephone (or such other electronic method as Bank may permit) so long as, with respect to each LIBOR selection, (i) if requested by Bank, Borrower provides to Bank written confirmation thereof not later than 3 Business Days after such notice is given, and (ii) such notice is given to Bank prior to 10:00 a.m. on the first day of the Fixed Rate Term, or at a later time during any Business Day if Bank, at it's sole option but without obligation to do so, accepts Borrower's notice and quotes a fixed rate to Borrower. If Borrower does not immediately accept a fixed rate when quoted by Bank, the quoted rate shall expire and any subsequent LIBOR request from Borrower shall be subject to a redetermination by Bank of the applicable fixed rate. If no specific designation of interest is made at the time any advance is requested hereunder or at the end of any Fixed Rate Term, Borrower shall be deemed to have made a Prime Rate interest selection for such advance or the principal amount to which such Fixed Rate Term applied.

2.3 *Taxes and Regulatory Costs*. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (a) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to LIBOR, and (b) future, supplemental, emergency or other changes in the LIBOR Reserve Percentage, assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to LIBOR to the extent they are not included in the calculation of LIBOR. In determining which of the foregoing are attributable to any LIBOR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower.

2.4 *Payment of Interest*. Interest accrued on this Note shall be payable on the **last** day of each **month**, commencing **July 31, 2003**.

2.5 *Default Interest*. From and after the maturity date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, the outstanding principal balance of this Note shall bear interest until paid in full at an increased rate per annum (computed on the basis of a **360**-day year, actual days elapsed) equal to 4% above the rate of interest from time to time applicable to this Note.

3. BORROWING AND REPAYMENT:

3.1 *Borrowing and Repayment*. Borrower may from time to time during the term of this Note borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions of this Note and of the Credit Agreement between Borrower and Bank defined below; provided however, that the total outstanding borrowings under this Note shall not at any time exceed the principal amount stated above. The unpaid principal balance of this obligation at any time shall be the total amounts advanced hereunder by the holder hereof less the amount of principal payments made hereon by or for any Borrower, which balance may be endorsed hereon from time to time by the holder. The outstanding principal balance of this Note shall be due and payable in full on **June 30, 2005**.

3.2 *Advances*. Advances hereunder, to the total amount of the principal sum available hereunder, may be made by the holder at the oral or written request of (a) **A. Emmet Stephenson, Jr. or David I. Rosenthal or William E. Meade, Jr. or E. Preston Sumner, Jr. or Gene McKenzie or Aaron Babl**, any one acting alone, who are authorized to request advances and direct the disposition of any advances until written notice of the revocation of such authority is received by the holder at the office designated above, or (b) any person, with respect to advances deposited to the credit of any deposit account of any Borrower, which advances, when so deposited, shall be conclusively presumed to have been made to or for the benefit of each Borrower regardless of the fact that persons other than those authorized to request advances may have authority to draw against such account. The holder shall have no obligation to determine whether any person requesting an advance is or has been authorized by any Borrower.

3.3 *Application of Payments*. Each payment made on this Note shall be credited first, to any interest then due and second, to the outstanding principal balance hereof. All payments credited to principal shall be applied first, to the outstanding principal balance of this Note which bears interest determined in relation to the Prime Rate, if any, and second, to the outstanding principal balance of this Note which bears interest determined in relation to LIBOR, with such payments applied to the oldest Fixed Rate Term first.

4. PREPAYMENT:

4.1 *Prime Rate*. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to the Prime Rate at any time, in any amount and without penalty.

4.2 *LIBOR*. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to LIBOR at any time and in the minimum amount of **$100,000.00**; provided however, that if the outstanding principal balance of such portion of this Note is less than said amount, the minimum prepayment amount shall be the entire outstanding principal balance thereof. In consideration of Bank providing this prepayment option to Borrower, or if any such portion of this Note shall become due and payable at any time prior to the last day of the Fixed Rate Term applicable thereto by acceleration or otherwise, Borrower shall pay to Bank immediately upon demand a fee

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which is the sum of the discounted monthly differences for each month from the month of prepayment through the month in which such Fixed Rate Term matures, calculated as follows for each such month:

(a) *Determine* the amount of interest which would have accrued each month on the amount prepaid at the interest rate applicable to such amount had it remained outstanding until the last day of the Fixed Rate Term applicable thereto.

(b) *Subtract* from the amount determined in (a) above the amount of interest which would have accrued for the same month on the amount prepaid for the remaining term of such Fixed Rate Term at LIBOR in effect on the date of prepayment for new loans made for such term and in a principal amount equal to the amount prepaid.

(c) If the result obtained in (b) for any month is greater than zero, discount that difference by LIBOR used in (b) above.

Each Borrower acknowledges that prepayment of such amount may result in Bank incurring additional costs, expenses and/or liabilities, and that it is difficult to ascertain the full extent of such costs, expenses and/or liabilities. Each Borrower, therefore, agrees to pay the above-described prepayment fee and agrees that said amount represents a reasonable estimate of the prepayment costs, expenses and/or liabilities of Bank. If Borrower fails to pay any prepayment fee when due, the amount of such prepayment fee shall thereafter bear interest until paid at a rate per annum **2.000%** above the Prime Rate in effect from time to time (computed on the basis of a **360**-day year, actual days elapsed). Each change in the rate of interest on any such past due prepayment fee shall become effective on the date each Prime Rate change is announced within Bank.

5. EVENTS OF DEFAULT:

This Note is made pursuant to and is subject to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated as of **June 30, 2003**, as amended from time to time (the "Credit Agreement"). Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Credit Agreement, shall constitute an "Event of Default" under this Note.

6. MISCELLANEOUS:

6.1 *Remedies*. Upon the occurrence of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by each Borrower, and the obligation, if any, of the holder to extend any further credit hereunder shall immediately cease and terminate. Each Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of the holder's in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder's rights and/or the collection of any amounts which become due to the holder under this Note, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other:person) relating to any Borrower or any other person or entity.

6.2 *Obligations*. Joint and Several Should more than one person or entity sign this Note as a Borrower, the obligations of each such Borrower shall be joint and several.

6.3 *Governing Law*. This Note shall be governed by and construed in accordance with the laws of the State of Colorado.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above.

StarTek, Inc.

By: /s/ WILLIAM E. MEADE, JR.

William E. Meade, Jr., President/Chief Executive Officer

By: /s/ DAVID I. ROSENTHAL

David I. Rosenthal, Chief Financial Officer

StarTek USA, Inc.

By: /s/ WILLIAM E. MEADE, JR.

William E. Meade, Jr., President/Chief Executive Officer

By: /s/ DAVID I. ROSENTHAL

David I. Rosenthal, Chief Financial Officer

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Exhibit 10.32

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EXHIBIT 31.1

CERTIFICATIONS

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

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

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

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

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

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

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

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

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

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

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

Date: August 14, 2003

/s/ WILLIAM E. MEADE, JR.

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

EXHIBIT 31.2

CERTIFICATIONS

I, David I. Rosenthal, certify that:

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

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

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

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

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

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

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

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

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

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

Date: August 14, 2003

/s/ DAVID I. ROSENTHAL

David I. Rosenthal
Executive Vice President, Chief Financial Officer, Secretary and Treasurer

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EXHIBIT 32.1

CERTIFICATIONS

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

(1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

Date: August 14, 2003

/s/ WILLIAM E. MEADE, JR.

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

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EXHIBIT 32.1

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EXHIBIT 32.2

CERTIFICATIONS

I, David I. Rosenthal, Chief Financial Officer of StarTek Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

Date: August 14, 2003

/s/ DAVID I. ROSENTHAL

David I. Rosenthal
Executive Vice President, Chief Financial Officer, Secretary and Treasurer

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EXHIBIT 32.2