

STARTEK INC
Form DEF 14A
April 28, 2003

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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to §240.14a-12

StarTek, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

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

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

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- ☐ Fee paid previously with preliminary materials.
 - ☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:

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(4) Date Filed:

STARTEK, INC.

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StarTek, Inc.

100 Garfield Street
Denver, Colorado 80206

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 29, 2003

To the Stockholders:

Notice is hereby given that the 2003 Annual Meeting of Stockholders of StarTek, Inc., a Delaware corporation (the "Company"), will be held at the Company's headquarters, 100 Garfield Street, Denver, Colorado 80206, on May 29, 2003, at 8:00 a.m. local time, for the following purposes:

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

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2. To ratify the appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 2003.
3. To consider and act upon such other business as may properly come before the meeting.

The Board of Directors has fixed the close of business on April 18, 2003 as the record date for determination of stockholders entitled to notice of and to vote at the meeting and any adjournment thereof.

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

By Order of the Board of Directors

David I. Rosenthal
Secretary

April 28, 2003

EVERY STOCKHOLDER'S VOTE IS IMPORTANT. PLEASE MARK, SIGN, DATE, AND MAIL THE ENCLOSED PROXY CARD AT YOUR EARLIEST CONVENIENCE, WHETHER OR NOT YOU PLAN TO ATTEND THE 2003 ANNUAL MEETING OF STOCKHOLDERS OF STARTEK, INC.

STARTEK, INC.

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PROXY STATEMENT

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

2003 ANNUAL MEETING OF STOCKHOLDERS MAY 29, 2003

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of StarTek, Inc., a Delaware corporation (the "Company"), of proxies for use at the 2003 Annual Meeting of Stockholders (the "Annual Meeting") to be held at the Company's headquarters at 100 Garfield Street, Denver, Colorado 80206, on May 29, 2003 at 8 a.m. local time, and at any and all adjournments thereof. The Company's principal address is 100 Garfield Street, Denver, Colorado 80206. The date of mailing of this Proxy Statement is on or about April 28, 2003. The purpose of the meeting is to: (i) elect six directors of the Company; (ii) ratify the appointment of Ernst & Young, LLP as the Company's independent auditors for the year ending December 31, 2003; and (iii) consider and act upon such other business as may properly come before the Annual Meeting.

OUTSTANDING STOCK AND VOTING RIGHTS

In accordance with the By-laws of the Company, the Board of Directors of the Company (the "Board of Directors") has fixed the close of business on April 18, 2003 as the record date for determining the stockholders entitled to notice of, and to vote at, the Annual Meeting (the "Record Date"). Only stockholders of record as of the Record Date will be entitled to vote. A stockholder who submits a proxy on the accompanying form has the power to revoke it by notice of revocation to the Company at any time before it is voted. A subsequently dated proxy, when filed with the Company, will constitute revocation. Proxies will be voted as specified on the proxy card. **In the absence of specific instructions, proxies will be voted (i) FOR the proposals described in this Proxy Statement, and (ii) in the discretion of the proxy holders on any other matter which properly comes before the meeting.** A stockholder who has given a proxy may nevertheless attend the meeting, revoke the proxy, and vote in person. The Board of Directors has selected A. Emmet Stephenson, Jr. and William E. Meade, Jr., and each of them, to act as proxies with full power of substitution.

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

The only outstanding securities of the Company entitled to vote at the Annual Meeting are shares of common stock, \$.01 par value, of the Company ("Common Stock"). As of the Record Date, 14,206,521 shares of Common Stock were issued and outstanding. Each outstanding share of Common Stock entitles the holder, as of the Record Date, to one vote on all matters brought before the Annual Meeting. The quorum necessary to conduct business at the Annual Meeting consists of a majority of the outstanding shares of Common Stock as of the Record Date.

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

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

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

As of April 18, 2003, the beneficial ownership of Common Stock by each director, nominee for director, executive officer named in the Summary Compensation Table, persons known by the Company to beneficially own more than five percent of Common Stock, and by all present executive officers and directors of the company as a group was:

Name	Number of Shares Beneficially Owned ^(a)	Percent of Class
A. Emmet Stephenson, Jr. ^{(b), (c)}	3,350,882	23.6%
William E. Meade, Jr. ^{(b), (d)}	80,000	*
David I. Rosenthal ^{(b), (e)}	9,000	*
Lawrence Zingale ^{(b), (f)}	20,000	*
Toni E. Stephenson ^{(b), (g)}	3,350,882	23.6
FASSET Trust ^(b)	1,027,262	7.2
MASSET Trust ^(b)	1,027,262	7.2
Pamela S. Oliver ^{(b), (h)}	2,054,524	14.4
Michael W. Morgan ^{(b), (i)}	195,743	1.4
Ed Zschau ^(j)	35,000	*
Jack D. Rehm ^(k)	19,000	*
Hank Brown ^(l)	14,500	*
Michael S. Shannon ^(m)	9,000	*
Awad Asset Management ⁽ⁿ⁾	801,938	5.6
All Directors and Executive Officers as a group (9 persons)	3,733,125	26.2%

*
Less than one percent

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

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options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by such person, but are not deemed outstanding for the purpose of calculating the percentage owned by each other person listed.

- (b) The address of such person, trust or trustee is c/o the Company, 100 Garfield Street, Denver, Colorado 80206.
- (c) Mr. Stephenson is the Chairman of the Board of the Company. Mr. Stephenson is the husband of Toni E. Stephenson. Mrs. Stephenson disclaims beneficial ownership of shares owned by Mr. Stephenson.
- (d) Mr. Meade is President and Chief Executive Officer of the Company. Includes 80,000 shares of Common Stock under Rule 13d-3(d), and excludes 120,000 shares of Common Stock underlying unvested options held by Mr. Meade.
- (e) Mr. Rosenthal is Executive Vice President, Chief Financial Officer, Secretary, and Treasurer of the Company. Includes 9,000 shares of Common Stock under Rule 13d-3(d), and excludes 36,000 shares of Common Stock underlying unvested options held by Mr. Rosenthal.
- (f) Mr. Zingale is Executive Vice President and Chief Operating Officer of the Company. Includes 20,000 shares of Common Stock under Rule 13d-3(d), and excludes 80,000 shares of Common Stock underlying unvested options held by Mr. Zingale.
- (g) Mrs. Stephenson is the wife of A. Emmet Stephenson, Jr. Mr. Stephenson disclaims beneficial ownership of shares owned by Mrs. Stephenson.
- (h) Represents shares owned by the FASSET and MASSET Trusts. Mrs. Oliver is the sole trustee of each of the trusts and has sole voting power and investment power with respect to the Common Stock held by the trusts. Mrs. Oliver is Mr. Stephenson's sister.
- (i) Mr. Morgan is Vice Chairman of the Board of the Company. Mr. Morgan owns 155,743 shares of Common Stock. Includes 40,000 shares of Common Stock under Rule 13d-3(d), and excludes 60,000 shares of Common Stock underlying unvested options held by Mr. Morgan.
- (j) Mr. Zschau is a Director of the Company. The Zschau Living Trust owns 10,000 shares of Common Stock. Includes 25,000 shares of Common Stock under Rule 13d-3(d). Mr. Zschau's business address is c/o Karen Cindrich, 1310 Trinity Drive, Menlo Park, California 94025.
- (k) Mr. Rehm is a Director of the Company. Includes 19,000 shares of Common Stock under Rule 13d-3(d). Mr. Rehm's address is 7116 S.E. Greenview Pl., Hobe Sound, FL 33455.
- (l) Mr. Brown is a Director of the Company. Mr. Brown owns 1,500 shares of Common Stock. Includes 13,000 shares of Common Stock under Rule 13d-3(d). Mr. Brown's business address is c/o Daniels Fund, 55 Madison St., Suite 255, Denver, CO 80206.
- (m) Mr. Shannon is a nominee for Director of the Company. Mr. Shannon owns 9,000 shares of Common Stock. Mr. Shannon's business address is KSL Recreation Corporation, 50-905 Avenida Bermudas, La Quinta, CA 92253.
- (n) Awad Asset Management, Inc.'s address is 250 Park Avenue, 2nd Floor, New York, New York 10177. The information regarding Awad Asset Management, Inc. is as of December 31, 2002 as reported by Awad Asset Management, Inc. to the Securities and Exchange Commission on Form 13G.

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

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires the Company's directors, executive officers and beneficial owners of more than 10% of the outstanding Common Stock (collectively, "Insiders") to file reports with the Securities and Exchange Commission (the "Commission") disclosing direct and indirect ownership of Common Stock and changes in such ownership. The rules of the Commission require Insiders to provide the Company with copies of all Section 16(a) reports filed with the Commission. Based solely upon a review of copies of Section 16(a) reports received by the Company, and written representations that no additional reports were required to be filed with the Commission, the Company believes Insiders have complied with all Section 16(a) filing requirements applicable since January 1, 2000 except for the following: one late report filed by Ed Zschau, a director, reporting his grant of options upon the 2002 Annual Meeting; one late report filed by Jack D. Rehm, a director, reporting his grant of options upon the 2002 Annual Meeting; one late report filed by Hank Brown,

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a director, reporting his grant of options upon the 2002 Annual Meeting; and one late report filed by Lawrence Zingale, an executive officer, reporting his initial beneficial ownership.

PROPOSAL 1. ELECTION OF DIRECTORS OF THE COMPANY

The Company's By-laws provide that the Board of Directors shall consist of at least one director and no more than nine. Each director will serve an annual term ("Term"). The Board of Directors has fixed the number of directors of the Company at six. At the Annual Meeting, stockholders will elect six directors to serve until the 2004 annual meeting of stockholders and until successors are duly elected and qualified. The Board of Directors has nominated Messrs. A. Emmet Stephenson, Jr., William E. Meade, Jr., Michael W. Morgan, Ed Zschau, Hank Brown, and Michael S. Shannon to serve as directors until their terms expire in 2004. Jack D. Rehm (age 70) is retiring and is not standing for re-election.

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

A. Emmet Stephenson, Jr.; age 57; President, Stephenson and Company ^(a)

Mr. Stephenson co-founded the Company in 1987 and has served as Chairman of the Board of the Company since its formation. Mr. Stephenson has also served as President of Stephenson and Company, a private investment firm in Denver, Colorado, for more than five years. Mr. Stephenson is a director of Danaher Corporation and serves on the Advisory board of First Berkshire Fund and Capital Resource Partners, L.P. If re-elected, his term will expire in 2004.

William E. Meade, Jr.; age 46; President and Chief Executive Officer, StarTek, Inc.

Mr. Meade has served as the Company's President and Chief Executive Officer since June 2001. Prior to joining StarTek, Mr. Meade was President and Chief Executive Officer of WebMiles, Inc. From 1987 to 1999 he was with the American Express Company. He finished his service there as Senior Vice-President of Business Development and Global Operations for the American Express Travelers Cheque Group. He also serves as a Director. If re-elected, his term will expire in 2004.

Michael W. Morgan; age 42; Vice Chairman of the Board, StarTek, Inc. ^(a)

Mr. Morgan co-founded the Company in 1987 and has held managerial positions in companies providing outsourced services since 1984. Mr. Morgan has served as Vice Chairman of the Board of the Company since June 2001 and has served as a Director of the Company since January 1997. If re-elected, his term will expire in 2004.

Ed Zschau; age 63; Visiting Lecturer at Princeton University ^{(a), (b)}

Mr. Zschau has served as a Director of the Company since January 1997. He is Visiting Lecturer at Princeton University in the Department of Electrical Engineering and was a Professor of Management at the Graduate School of Business Administration at Harvard University from September 1996 to August 2000. From April 1993 to July 1995, Mr. Zschau was General Manager, IBM Corporation Storage Systems Division. Mr. Zschau is a director of the Reader's Digest Association, Inc. If re-elected, his term will expire in 2004.

Hank Brown; age 63; President and Chief Executive Officer the Daniels Fund ^(b)

On May 31, 2001, Mr. Brown was elected to the Board of Directors of the Company. Mr. Brown is President and Chief Executive Officer of the Daniels Fund. Mr. Brown was previously a United States Senator from 1990 to 1996 and served in the U.S. Congress for five consecutive terms from 1980 through 1990. He also served in the Colorado State Senate from 1972 through 1976. Mr. Brown is currently a Director of Sealed Air Corp. and Alaris Medical Inc. He was Vice President of Monfort of Colorado for 12 years. If re-elected, his term will expire in 2004.

Michael S. Shannon; age 45; President and Chief Executive Officer, KSL Recreation Corporation ^(c)

Mr. Shannon is standing for election for the first time to the Board of Directors. He has served as President and Chief Executive Officer of KSL Recreation Corporation based in La Quinta, California since 1992. From 1986 to 1992, Mr. Shannon was President and Chief Executive

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Officer of Vail Associates in Vail, Colorado. Prior to that, he was an Assistant Vice President of First National Bank of Chicago. Mr. Shannon currently serves as a director of ING America Insurance Holdings. If elected, his term will expire in 2004.

- (a) Member of the Compensation and Option Committee of the Board of Directors
- (b) Member of the Audit Committee of the Board of Directors
- (c) Expected to be a member of the Audit Committee, if elected to the Board of Directors

THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

The Board of Directors had four regular meetings during 2002. All directors attended all meetings of the Board of Directors and of the Committees on which they served during 2002 that occurred while they were a Director.

The Board of Directors has adopted a written Audit Committee Charter. The Audit Committee reviews the financial statements of the Company to confirm they reflect fairly the financial condition of the Company and to appraise the soundness, adequacy, and application of accounting and operating controls. The Audit Committee recommends independent auditors to the Board of Directors, reviews the scope of the audit function of the independent auditors, and reviews audit reports rendered by the independent auditors. The members of the Audit Committee during 2002 were Ed Zschau, Jack Rehm, and Hank Brown who are all "independent directors", as defined in Sections 303.01(B)(2)(a) and (3) of the NYSE's listing standards. The Audit Committee met three times during 2002. Michael S. Shannon is expected to replace Jack D. Rehm on the Audit Committee, if elected to the Board of Directors.

The Compensation and Option Committee reviews the Company's compensation philosophy and programs, and exercises authority with respect to payment of direct salaries and incentive compensation to Company officers. In addition, the Committee is responsible for oversight of the StarTek, Inc. Stock Option Plan. The Compensation and Option Committee met five times in 2002.

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

EXECUTIVE OFFICERS OF THE COMPANY

Executive Officers of the Company are as follows:

Name	Age	Position	Officer Since
A. Emmet Stephenson, Jr.	57	Chairman of the Board	1987
William E. Meade, Jr.	46	President, Chief Executive Officer and Director	2001
David I. Rosenthal	48	Executive Vice President, Chief Financial Officer, Secretary and Treasurer	2001
Lawrence Zingale	47	Executive Vice President and Chief Operating Officer	2002

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

William E. Meade, Jr. has served as the Company's President and Chief Executive Officer since June 2001. Prior to joining StarTek, Mr. Meade was President and Chief Executive Officer of WebMiles, Inc. From 1987 to 1999 he was with the American Express Company. He finished his service there as Senior Vice-President of Business Development and Global Operations for the American Express Travelers Cheque Group. He also serves as a Director.

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David I. Rosenthal has served as the Company's Executive Vice President and Chief Financial Officer since August 2001. Mr. Rosenthal served as acting Chief Financial Officer for Celestial Seasonings from 1999 to 2000. From 1994-1999 he was with Hauser, Inc, serving as the Chief Financial Officer. Mr. Rosenthal is a director of Cyanotech Corporation.

Lawrence Zingale has served as the Company's Executive Vice President and Chief Operating Officer since June 2002. Prior to joining StarTek, Mr. Zingale was President of Stonehenge Telecom. From 1997 to 1999 he was President and Chief Operating Officer of International Community Marketing. From 1980 to 1997, he was with AT&T, serving in various senior level positions.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information concerning 2000, 2001, and 2002 compensation of the Company's Chief Executive Officer and executive officers of the Company who, in addition to the Chief Executive Officer, received the highest compensation during 2000, 2001, and 2002.

SUMMARY COMPENSATION TABLE

Annual Compensation ^(a)				Long-Term Compensation Awards	All Other Compensation (\$)
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Securities Underlying Option(#)	
William E. Meade, Jr. President, CEO, and Director	2000				
	2001	247,692		200,000	
	2002	400,000			73,702 ^(b)
A. Emmet Stephenson, Jr. Chairman of the Board	2000				245,000 ^(c)
	2001				245,000 ^(c)
	2002				245,000 ^(c)
David I. Rosenthal Executive VP, CFO, Secretary, and Treasurer	2000				
	2001	61,250		45,000	
	2002	179,615			
Michael W. Morgan Vice Chairman of the Board	2000	270,800			
	2001	325,237		100,000	
	2002	270,800			
Lawrence Zingale Executive Vice President and Chief Operating Officer	2000				
	2001				
	2002	166,923 ^(d)	25,000	100,000	2,232 ^(b)

- (a) The Company did not provide perquisites or other personal benefits, securities, or property to the named executive officers which exceeded \$50,000 or 10% of such officer's total salary, bonus or other compensation for 2000, 2001, and 2002.
- (b) Reimbursement of relocation expenses.
- (c) Effective January 1, 1997, the Company began paying an annual advisory fee of \$245,000 to A. Emmet Stephenson, Jr., Inc.
- (d) Lawrence Zingale's annual base salary is \$310,000.

OPTION GRANTS IN LAST FISCAL YEAR

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The following table sets forth certain information relating to options granted to purchase shares of the Company Common Stock under the StarTek, Inc. Stock Option Plan.

Individual Grants

Name	No. of Securities Underlying Options/SARs Granted(#)	% of Total Options Granted to Employee In Fiscal Year	Exercise Or Base Price (\$/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5% (\$)	10% (\$)
Lawrence Zingale	100,000	30.0%	26.3000	6/10/12	1,653,993	4,191,543

On June 10, 2002, Mr. Zingale was granted options to purchase 100,000 shares of Company Common Stock at an exercise price of \$26.30. The foregoing options have a term of ten years and, except as otherwise determined by the Option Committee, will vest 20% per year for a five-year period commencing on the option grant.

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

OPTION EXERCISES AND FISCAL YEAR-END VALUES

The following table provides information related to options exercised by the Company's named executive officers during fiscal 2002 and unexercised options held by them at December 31, 2002.

Name	Shares acquired on exercise(#)	Value Realized(\$)	Number of securities underlying unexercised options/SARs at fiscal year end(#) ⁽¹⁾		Value of unexercised in-the-money options/SARs at fiscal year end(\$) ⁽¹⁾⁽²⁾	
			Exercisable	Unexercisable	Exercisable	Unexercisable
A. Emmet Stephenson, Jr.						
William E. Meade, Jr.			40,000	160,000	416,000	1,664,000
David I. Rosenthal			9,000	36,000	21,060	84,240
Lawrence Zingale				100,000		130,000

(1) No SARs have been granted.

(2) The closing price of the Company's Common Stock as reported by the New York Stock Exchange on December 31, 2002 was \$27.60.

COMPENSATION OF DIRECTORS

Pursuant to the Company's Directors Stock Option Plan and upon re-election on May 23, 2002 at the Company's 2002 Annual Meeting of Stockholders, the Company automatically granted an option to purchase 3,000 shares of Common Stock to each of three non-employee directors. The above-mentioned options fully vest upon grant date, expire ten years from grant date, and are exercisable at an exercise price equal to the closing market price of the Common Stock on the grant date. Pursuant to the Director Option Plan, each non-employee director will be automatically granted options to acquire 3,000 shares of Common Stock at an exercise price equal to market value of the Common Stock on the date of each annual meeting of stockholders at which such director is re-elected. The Directors' Option Plan is administered by the Board of

Directors.

COMPENSATION AND OPTION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

A. Emmet Stephenson, Jr. serves as a director, Chairman of the Board, and a member of the Company's Compensation and Option Committee. A. Emmet Stephenson, Jr. does not participate in deliberation regarding his own compensation. Except for Mr. Stephenson, no officers or employees of the Company participate in deliberations of the Compensation and Option Committee. The Compensation and Option Committee makes salary decisions with input from the Chief Executive Officer; however, the Chief Executive Officer does not participate in deliberations regarding his own compensation. See Summary Compensation Table for advisory fees paid to A. Emmet Stephenson, Jr., Inc.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT

The Company has not entered into any employment contracts, change of control arrangements, or termination of employment arrangements with any named executive officer except for the following: On January 1, 2001, the Company entered into an employment agreement with Michael W. Morgan. The agreement provides for, among other things, an annual base compensation of \$270,800 and the executive services of Mr. Morgan as determined by the Board of Directors through July 15, 2004. Effective June 1, 2001, the Company accepted the resignation of Michael W. Morgan as Chief Executive Officer and President of the Corporation. Mr. Morgan continues to be entitled to payments of base compensation through July 15, 2004. Effective June 1, 2001, Mr. Morgan was elected Vice Chairman of the Board of Directors. In May 2001, the Company entered into an employment agreement with William E. Meade, Jr. who was elected President and Chief Executive Officer of the Corporation by the Board of Directors on June 1, 2001. The agreement provides for, among other things, an annual base compensation of \$400,000 and the executive services of Mr. Meade as determined by the Board of Directors through May 2006. If the agreement is terminated other than for cause or death, Mr. Meade is entitled to payment of one year of base compensation.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes information as of December 31, 2002 about the Company's stock option plans for employees and non-employee directors. The Company offers no other equity compensation plans.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options	(b) Weighted-average exercise price of outstanding options, warrants, and rights	(c) Number of Securities Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders	1,194,220	21.11	116,770
Equity compensation plans not approved by stockholders			
Total	1,194,220	21.11	116,770

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

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

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

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

The Compensation and Option Committee has structured the compensation of the Chief Executive Officer, Mr. Meade, in order to link it to his individual performance. The Committee has granted incentives to him tied to the Company's performance measured with respect to sales, profitability, and cash flow and to the Company's long-term growth as measured by increases in the value of the Company's Common Stock. The Committee also considered the compensation packages available to chief executives of comparable companies and the need to attract and retain a chief executive of Mr. Meade's caliber. Mr. Meade's compensation is reviewed annually.

The 2002 salaries and other compensation of the three current executive officers, the Chairman of the Board, and the Vice-Chairman of the Board appear in the Summary Compensation Table. Effective January 1, 1997, the Company began paying an annual advisory fee of \$245,000 to A. Emmet Stephenson, Jr., Inc. (wholly-owned by A. Emmet Stephenson, Jr., Chairman of the Board).

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

AUDIT COMMITTEE REPORT

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements in the Company's Form 10-K for the year ended December 31, 2002 with management including a discussion of the application of generally accepted accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the application of generally accepted accounting principles and such other matters as are required to be discussed with the Committee under Statement on Auditing Standards No. 61. The Committee has received from the independent auditors written disclosures required by Independence Standards Board Standard No. 1, and has discussed with the Company's independent auditors their independence. In addition, the Committee has considered the effect all other fees paid the independent auditors may have on their independence.

The Committee discussed with the Company's independent auditors the overall scope and plans for their respective audits. The Committee meets with the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The Committee held three meetings during fiscal year 2002.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Form 10-K for the year ended December 31, 2002 for filing with the Securities and Exchange Commission. The Committee and the Board have also recommended, subject to shareholder approval, the selection of the Company's independent auditors.

By the Audit Committee:
Ed Zschau
Jack D. Rehm

March 13, 2003

STOCK PERFORMANCE GRAPH

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

TOTAL SHAREHOLDER RETURN

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

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

PROPOSAL 2. APPROVAL OF APPOINTMENT OF AUDITORS

The Board of Directors has appointed Ernst & Young LLP, an international firm of independent certified public accountants, to act as independent accountants for the Company and its consolidated subsidiaries for the year ending December 31, 2003. Ernst & Young LLP has

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been the Company's auditors since the year ended June 30, 1991, and has advised the Company that it does not have any direct or indirect financial interest in the Company or any of its subsidiaries, nor has such firm had any such interest in connection with the Company during the past five years.

Audit Fees

The aggregate fees billed for professional services by Ernst & Young LLP for its audit of the Company's annual financial statements for the fiscal year ending December 31, 2002, and its reviews of the financial statements included in the Company's Forms 10-Q for the fiscal year, were \$178,500.

Financial information Systems Design and Implementation Fees

Ernst and Young LLP billed no fees to the Company for financial information systems design and implementation during the most recent fiscal year.

All Other Fees

The aggregate fees billed to the Company for all other services rendered by Ernst and Young LLP for the most recent fiscal year were \$59,500. These fees related primarily to preparation and review of the Company's tax returns.

Auditor Independence

The Audit Committee of the Board of Directors has considered the effect that provision of the services described under "All Other Fees" may have on the independence of Ernst & Young LLP. The Audit Committee has determined that provision of those services is compatible with maintaining the independence of Ernst & Young LLP as the Company's principal accountants.

The Audit Committee and the Board of Directors unanimously recommend stockholders vote "FOR" ratification and approval of selection of Ernst & Young LLP as independent auditors for the Company for the year ending December 31, 2003.

STOCKHOLDERS PROPOSALS

Stockholder proposals intended to be presented at the 2004 Annual Meeting of Stockholders of the Company must be received by the Company at its executive offices at 100 Garfield Street, Denver, Colorado 80206, attention to Director of Investor Relations, no later than December 26, 2003 for inclusion in the proxy statement relating to the 2004 Annual Meeting of Stockholders.

MISCELLANEOUS

The Company's Annual Report to Stockholders for the year ended December 31, 2002 will be furnished with this Proxy Statement to stockholders of record as of April 18, 2003. The Annual Report to Stockholders for the year ended December 31, 2002 does not constitute a part of the proxy soliciting materials.

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

By Order of the Board of Directors

David I. Rosenthal
Secretary

Dated: April 28, 2003

The Company's Annual Report on Form 10-K for fiscal year ended December 31, 2002, including consolidated financial statements, required to be filed with the Commission pursuant to Rule 13a-1 of the Exchange Act will be furnished, excluding exhibits, without charge, to any stockholder upon written request. A copy may be requested by writing to the Director of Investor Relations, StarTek, Inc., 100 Garfield Street, Denver, Colorado 80206. The Company's Annual Report on Form 10-K can be obtained over the Internet through the Company's web site. The Company's Internet address is <http://www.startek.com>. Additionally, the Annual Report on Form 10-K and other information filed with the Commission by the Company can be inspected at and obtained from the Commission at prescribed rates at public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549, and at certain regional offices of the Commission located at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 6061. The Commission maintains a web site at <http://www.sec.gov> that contains reports, proxies, information statements, and other information regarding the Company that has been filed electronically with the Commission.

APPENDIX A

STARTEK, INC. AND SUBSIDIARIES

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

All statements contained in this Form 10-K, which are not statements of historical facts, are forward-looking statements that involve substantial risks and uncertainties. Forward-looking statements are preceded by terms such as "may", "will", "should", "anticipates", "expects", "believes", "plans", "future", "estimate", "continue", and similar expressions. The following are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These 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 fluctuating values of the Company's portfolio of investment securities. 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" "Risk Factors" appearing elsewhere in this Form 10-K.

Overview

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

An essential element of the Company's ability to grow is availability of capacity to readily provide for the needs of new clients and the increasing needs of existing clients. StarTek currently operates from facilities in the United States, United Kingdom, and Canada. Management believes StarTek's existing facilities are adequate for the Company's current and near-term operations, but continued capacity expansion will be required to support continued growth. Management intends to maintain a certain amount of excess capacity to enable StarTek to readily provide for the needs of new clients and the increasing needs of existing clients. In February 2003, the Company announced the opening of two new facilities in Regina, Saskatchewan, Canada and Decatur, Illinois to meet the increasing needs of our clients.

The Company frequently purchases components of its clients' products as an integral part of its process management services and in advance of providing its product assembly and packaging services. These components are packaged, assembled, and held by StarTek pending

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shipment. The Company generally has the right to be reimbursed from clients for unused inventories. Client-owned inventories are not valued in the Company's balance sheet. See Notes 1 and 5 to the consolidated financial statements set forth herein for a further description of the Company's inventories.

Results of Operations

The following table should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Form 10-K, and sets forth certain consolidated income statement data expressed as a percentage of revenues:

	Year Ended December 31,		
	2000	2001	2002
Revenues	100.0%	100.0%	100.0%
Cost of services	76.5	75.4	75.5
Gross profit	23.5	24.6	24.5
Selling, general and administrative expenses	10.4	14.2	10.9
Operating profit	13.1	10.4	13.6
Net interest income and other	2.3	2.4	1.0
Loss on impaired investments		(8.5)	(3.0)
Income before income taxes	15.4	4.3	11.6
Income tax expense	5.7	1.6	4.3
Net income	9.7%	2.7%	7.3%

2002 Compared to 2001

Revenues. Revenues increased \$25.3 million, or 13.9%, from \$182.6 million in 2001 to \$207.9 million in 2002. This increase was largely due to increased technical support services, partially offset by reduced supply chain management services.

Microsoft's European contract with the company was not renewed when it expired on June 30, 2002. While this negatively impacted revenues in 2002, operating profits were not materially adversely affected because of the low operating margins of the revenue. Management adjusted personnel levels and infrastructure accordingly.

Costs of Services. Cost of services increased \$19.4 million, or 14.1%, from \$137.6 million in 2001 to \$157.0 million in 2002. As a percentage of revenues, cost of services was 75.4% and 75.5% in 2001 and 2002, respectively. The percentage increase results from a change in the mix of services provided, offset by a shift in managers to operations, which results in additional cost of services but a decrease in selling, general and administrative expenses.

Gross Profit. Due to the foregoing factors, gross profit increased \$5.9 million in 2002, or 13.1%, from \$45.0 million in 2001 to \$50.9 million in 2002. As a percentage of revenues, gross profit was 24.6% and 24.5% in 2001 and 2002, respectively.

Selling, General, and Administrative Expenses. Selling, general and administrative expenses decreased \$3.4 million, or 13.0%, from \$25.9 million in 2001 to \$22.5 million in 2002. As a percentage of revenues, selling, general and administrative expenses decreased from 14.2% in 2001 to 10.9% in 2002. The decrease in selling, general and administrative expenses as a percentage of revenue and by \$3.4 million was primarily due to a shift in managers to operations and the attendant shift in costs to cost of services, but was partially offset by the hiring of new senior management personnel.

Operating Profit. As a result of the foregoing factors, operating profit increased \$9.3 million or 48.8% from \$19.0 million in 2001 to \$28.3 million in 2002. As a percentage of revenues, operating profit increased from 10.4% in 2001 to 13.6% in 2002.

Net Interest Income and Other. Net interest income and other decreased \$2.3 million or 54.0% from \$4.3 million in 2001 to \$2.0 million in 2002. 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 decrease is the result of the weakened economy,

lower interest rates, and poor securities markets.

Loss on Impaired Investments. Loss on impaired investments decreased \$9.3 million or 59.8% from \$15.5 million in 2001 to \$6.2 million in 2002. As a percentage of revenues, loss on impaired investments decreased from 8.5% in 2001 to 3.0% in 2002. The 2002 loss is the result of \$6.3 million of declines in the fair value of investments available for sale that the Company determined to be other than temporary, offset by a \$0.1 million partial cash recovery of the Six Sigma investment impaired in 2001. The 2001 loss was the result of the impairment of two investments. The first impairment, of \$3.1 million, was related to the Company's investment in Six Sigma, LLC and occurred due to the bankruptcy filing of Six Sigma, LLC because of alleged misappropriation of funds from its customer. The second impairment, of \$12.4 million, was related to the Company's investment in Gifts.com, Inc. and resulted from continued operating losses, negative cash flows, and a deficiency in working capital of Gifts.com, Inc.

Income Before Income Taxes. As a result of the foregoing factors, income before income taxes increased \$16.2 million, or 205.4%, from \$7.9 million in 2001 to \$24.1 million in 2002. As a percentage of revenues, income before income taxes increased from 4.3% in 2001 to 11.6% in 2002.

Income Tax Expense. Income tax expense for 2001 and 2002 reflects a provision for federal, state, and foreign income taxes at an effective rate of 38.2% and 37.0% respectively.

Net Income. Based on the factors discussed above, net income increased \$10.3 million, or 211.4%, from \$4.9 million in 2001 to \$15.2 million in 2002.

2001 Compared to 2000

Revenues. Revenues decreased \$18.1 million, or 9.1%, from \$200.7 million in 2000 to \$182.6 million in 2001. This decrease was largely due to reduced revenue from the supply chain management services, partially offset by increased technical support services.

Costs of Services. Cost of services decreased \$16.0 million, or 10.4%, from \$153.6 million in 2000 to \$137.6 million in 2001. As a percentage of revenues, cost of services was 76.5% and 75.4% in 2000 and 2001, respectively. This percentage decreased primarily due to an increase in high margin business.

Gross Profit. Due to the foregoing factors, gross profit decreased \$2.2 million in 2001, or 4.6%, from \$47.1 million in 2000 to \$44.9 million in 2001. As a percentage of revenues, gross profit was 23.5% and 24.6% in 2000 and 2001, respectively.

Selling, General, and Administrative Expenses. Selling, general and administrative expenses increased \$5.0 million, or 23.8%, from \$20.9 million in 2000 to \$25.9 million in 2001. As a percentage of revenues, selling, general and administrative expenses increased from 10.4% in 2000 to 14.2% in 2001. This increase was the result of facility expansions to support growth in technical support services and expenses incurred to attract and hire senior level managers during the year.

Operating Profit. As a result of the foregoing factors, operating profit decreased \$7.1 million or 27.2% from \$26.1 million in 2000 to \$19.0 million in 2001. As a percentage of revenues, operating profit decreased from 13.1% in 2000 to 10.4% in 2001.

Net Interest Income and Other. Net interest income and other decreased \$0.4 million or 8.5% from \$4.7 million in 2000 to \$4.3 million in 2001. The majority of net interest income and other continues to be derived from cash equivalents and investment balances, partially offset by interest expense incurred as a result of the Company's various debt and lease arrangements. The decrease is the result of lower interest rates in 2001.

Loss on Impaired Investments. The Company recorded a loss on impaired investments of \$15.5 million, or 8.5% of revenue, in 2001. This loss was the result of the impairment of two investments. The first impairment, of \$3.1 million, was related to the Company's investment in Six Sigma, LLC and occurred due to the bankruptcy filing of Six Sigma, LLC because of alleged misappropriation of funds from its customer. The second impairment, of \$12.4 million, was related to the Company's investment in Gifts.com, Inc. and resulted from continued operating losses, negative cash flows, and a deficiency in working capital of Gifts.com, Inc.

Income Before Income Taxes. As a result of the foregoing factors, income before income taxes decreased \$22.9 million, or 74.4%, from \$30.8 in 2000 to \$7.9 million in 2001. As a percentage of revenues, income before income taxes decreased from 15.4% in 2000 to 4.3% in 2001.

Income Tax Expense. Income tax expense for 2000 and 2001 reflects a provision for federal, state, and foreign income taxes at an effective rate of 37.0% and 38.2% respectively.

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Net Income. Based on the factors discussed above, net income decreased \$14.5 million, or 74.9%, from \$19.4 million in 2000 to \$4.9 million in 2001.

Liquidity and Capital Resources

Since its initial public offering in 1997, the Company has primarily financed its operations, liquidity requirements, capital expenditures, and capacity expansion through cash flows from operations, and to a lesser degree, through various forms of debt and leasing arrangements.

The Company maintains a \$10.0 million unsecured line of credit with Wells Fargo Bank West, N.A. (the "Bank"). Borrowing under the new line of credit bears interest at the Bank's prime rate minus 1% (3.25% as of December 31, 2002). Under this line of credit, the Company is required to maintain minimum tangible net worth of \$65.0 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 December 31, 2002 and the date of this Form 10-K, the Company was in compliance with the financial covenants pertaining to the unsecured line of credit and \$10.0 million was available under this line of credit.

As of December 31, 2002, the Company had cash, cash equivalents, and investment balances of \$57.2 million, working capital of \$80.4 million, and stockholders' equity of \$114.6 million. Cash and cash equivalents are not restricted. See "*Quantitative and Qualitative Disclosure About Market Risk*" set forth herein for further discussions regarding the Company's cash, cash equivalents, investments available for sale, and trading securities.

Net cash provided by operating activities was \$25.9 million and \$21.1 million for the years ended December 31, 2001 and 2002, respectively. This decrease was primarily a result of an increase in accounts receivable, partially offset by an increase in profit from operations and net changes in other operating assets. Without the effect of net purchases/sales of trading securities, operating cash flows were \$24,720, \$19,534, and \$20,056 in 2000, 2001, and 2002, respectively.

Net cash used in investing activities was \$34.5 million and \$19.0 million for the years ended December 31, 2001 and 2002, respectively. This increase was primarily due to a decrease in purchases of property, plant, and equipment.

Net cash provided by (used in) financing activities was \$1.1 million and \$(3.7) million for the years ended December 31, 2001 and 2002, respectively. Financing activities, during both periods, consisted of principal payments on borrowings, offset by proceeds from exercises of employee stock options and borrowings.

The effect of currency exchange rate changes on translation of the Company's United Kingdom and Canada operations was not substantial during the year 2002. Terms of the Company's agreements with clients and subcontractors are typically in US dollars except for certain agreements related to its United Kingdom and Canada operations. If the international portion of the Company's business grows, 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.